

Tax Contribution of Women Engaged in Business and Practice of Profession, 2018-2020*

I. INTRODUCTION

The Philippines was notably the only Asian country that made it to the top 20 (ranked 16th out of 153 countries) in the Global Gender Gap Report 2020 of the World Economic Forum, which indicates that the country has the narrowest gender gap between men and women in Asia. The Global Gender Gap Report measures the countries' progress towards gender parity in four dimensions - economic participation and opportunity, educational attainment, health survival, and political empowerment. According to the International Labor Organization (ILO) report, reducing gender gaps in labor force participation could substantially boost the global Gross Domestic Product.

This study analyzes women's economic participation as self-employed individuals and professionals. Likewise, it seeks to give insights into the gender gaps between men and women in terms of their earnings and tax contribution that may be useful to fiscal policymakers, tax administrators, researchers, and other interested parties in their respective undertakings.

II. WOMEN IN THE LABOR FORCE AND SELF-EMPLOYMENT

The Philippine Statistics Authority (PSA) defines the labor force as the population of at least 15 years old and contributing to the country's production of goods and services, comprising both the employed and unemployed. The term self-employed is a person who practices a profession for earning and those who operate their business, with or without paid employees.

As seen in Table 1, on average, men have higher participation in the total labor force, contributing about 62%, but women have a slightly higher labor force participation than men at around 0.5%. The gender gap in men's and women's total labor force participation is about 23.2%.

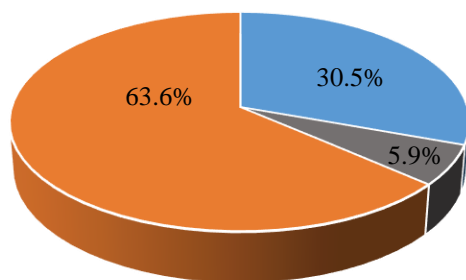
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Table 1*Average Labor Force Participation Rate by Sex, 2018-2020*

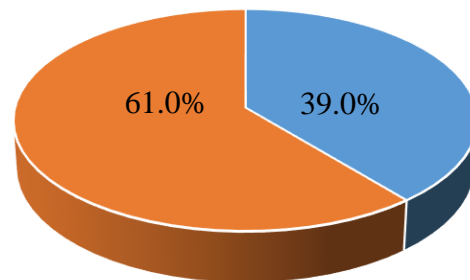
Particulars	Average number			Distribution (in %)		Gap (in %)
	Men	Women	Total	Men	Women	
Total labor force	27,108	16,902	44,010	61.6	38.4	23.2
Employed	25,196	15,792	40,988	61.5	38.5	22.9
Unemployed	1,912	1,110	3,022	63.3	36.7	26.5
Labor force participation rate (in %)	92.9	93.4	93.1	-	-	-0.5

Note. Gap is computed as the percentage difference of male over female values in the distribution.
Source: 2018 to 2020 Annual Labor Force Surveys, PSA.

By class of workers, the majority belongs to wage and salary workers (63.6%), followed by the self-employed and professionals (SEPs) with 30.5% and those who work without pay in owned family-operated farms or businesses (5.9%). From 2018 to 2020, 61.0% of the SEPs were male, while the remaining 39.0% were female. (See Figures 1 and 2.)

Figure 1*Class of Workers, 2018-2020*

- Self-employed and professionals
- Worked without pay
- Wage and salary workers

Figure 2*Distribution of SEPs by Sex, 2018-2020*

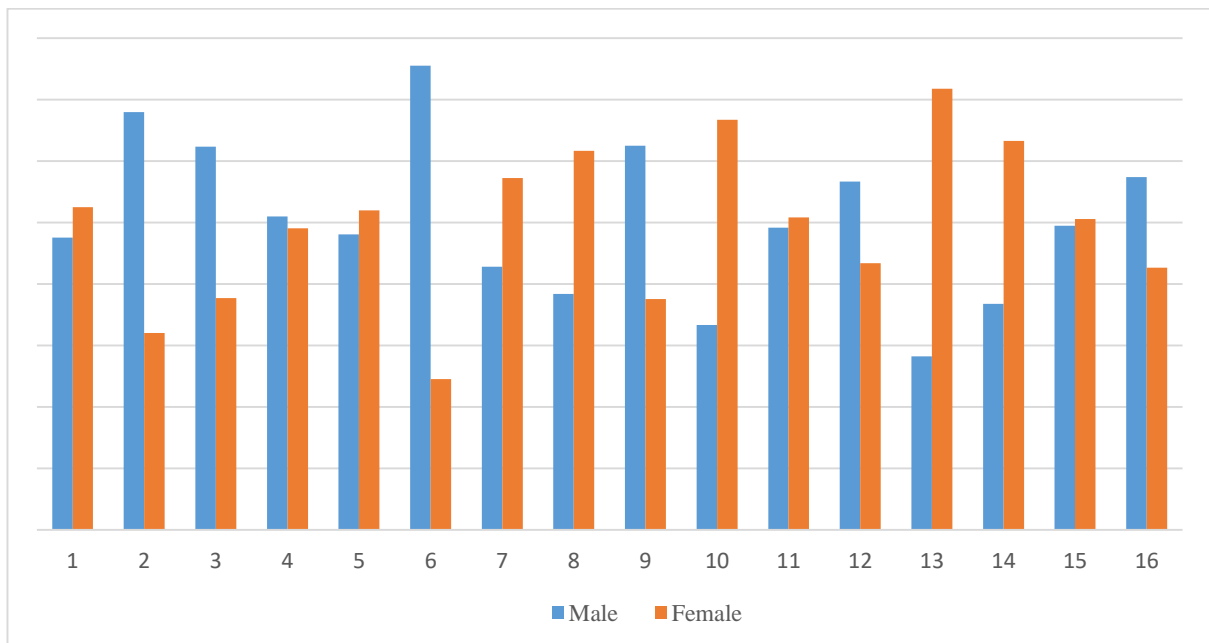
- Female
- Male

Source: 2018 to 2020 Annual Labor Force Surveys, PSA.

The male SEPs dominated the sectors of fishing; mining and quarrying; construction; transport, storage, and communications; and public administration and defense. On the other hand, the female SEPs dominated the wholesale and retail trade; hotels and restaurants; financial intermediation; education; and health and social work. Gender roles and expectations caused the labor force to concentrate on a specific occupational category. Women work disproportionately in the industry sector where masculine works are appreciated, such as in the construction industry. Likewise, the male SEPs can be found less in the service sector, where the occupations are more related to the intensive use of communication and interpersonal skills, where women seem to have a natural comparative advantage. (See Figure 3.)

Figure 3

Average Percentage Distribution of SEPs by Sex and by Industry, 2018-2020



- 1- Agriculture, hunting, and forestry
- 2- Fishing
- 3- Mining and quarrying
- 4- Manufacturing
- 5- Electricity, gas, and water supply
- 6- Construction
- 7- Wholesale and retail trade; repair of motor vehicles and motorcycles
- 8- Hotels and restaurants
- 9- Transport, storage, and communications
- 10- Financial intermediation
- 11- Real estate, renting, and business activities
- 12- Public administration and defense
- 13- Education
- 14- Health and social work
- 15- Other services
- 16- Unclassified

Source: BIR Form Nos. 1701 and 1701A databases.

III. GENDER GAPS IN EARNING

From 2018 to 2020, on average, 52.3% of the SEP tax filers who availed of the graduated rate were female, while the remaining 47.7% were male. The majority of females had a net taxable income not exceeding P250,000. As the taxable income bracket increases, the gap in the number of taxpayers between males and females also widens. Males earning P2 million to P8 million (63%) dominated the taxable income bracket compared to females (37%). (See Table 2.)

Table 2

Average Distribution of SEPs by Taxable Income Bracket and by Sex, 2018-2020

Taxable income bracket	Average number of taxpayers			Distribution (in %)	
	Male	Female	Total	Male	Female
Not over P250,000	288,647	334,647	623,294	46.3	53.7
Over P250,000 but not over P400,000	53,601	53,422	106,483	49.8	50.2
Over P400,000 but not over P800,000	20,870	18,997	39,867	52.3	47.7
Over P800,000 but not over P2,000,000	14,491	11,116	25,607	56.6	43.4
Over P2,000,000 but not over P8,000,000	7,221	4,274	11,495	62.8	37.2
P8,000,000 and over	1,414	606	2,019	70.0	30.0
Total	385,704	423,063	808,766	47.7	52.3

Note. The average net taxable income data from 2018 to 2020 were extracted from the Bureau of Internal Revenue (BIR) Form Nos. 1701 and 1701A. The data were used to compare the gender gap between male and female SEP tax filers who paid the graduated income tax rates. For the SEPs who opted to pay the 8% gross receipt tax, the net taxable sales were used as the basis of comparison.

Source: Extracted from BIR Form Nos. 1701 and 1701A databases.

In terms of the average taxable income by bracket, the highest income gap was recorded in the highest income bracket (income over P8 million), where the female taxpayers earned 4.6% less than their male counterparts. The income bracket of the tax filers earning between P250,000 and P400,000 is observed to have the narrowest gap with 0.4%. (See Table 3.)

Across different sectors, the highest average net taxable income was noticed in the construction sector, while the lowest was in the public administration and defense field. While the female SEPs predominantly occupy the health and social work sector (See Figure 3), the highest income gap was also observed in the same sector. From 2018 to 2020, female tax filers in this sector earned an average annual taxable income of P524,548, which was lower by 66.3% compared to male taxpayers, whose average annual taxable income was P872,395. Surprisingly, it was only in the transport, storage, and communications sector where female SEPs earned more but were dominated by males. (See Table 4.)

Table 3*Average Income Gap of the SEPs by Income Bracket by Sex, 2018-2020*

Taxable income bracket	Average net taxable income		Income gap (in %)
	Male	Female	
Not over P250,000	79,123	77,745	1.8
Over P250,000 but not over P400,000	289,775	288,496	0.4
Over P400,000 but not over P800,000	552,517	548,480	0.7
Over P800,000 but not over P2,000,000	1,235,700	1,214,177	1.8
Over P2,000,000 but not over P8,000,000	3,568,651	3,444,368	3.6
P8,000,000 and over	20,154,108	19,264,205	4.6

Note. Income gap is computed by getting the percentage difference in the average net taxable income values of male over female SEP taxpayers.

Source: Extracted from BIR Form Nos. 1701 and 1701A databases.

Table 4*Average Income Gap of SEPs by Sector by Sex, 2018-2020 (in Peso)*

Sector	Average net taxable income (in Peso)		Income gap (in %)
	Male	Female	
Agriculture, hunting, and forestry	229,745	164,026	40.1
Fishing	252,085	216,261	16.6
Mining and quarrying	417,290	301,206	38.5
Manufacturing	317,366	233,620	35.8
Electricity, gas, and water supply	159,400	130,906	21.8
Construction	2,232,449	1,998,257	11.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	344,726	227,217	51.7
Hotels and restaurants	247,947	186,214	33.2
Transport, storage, and communications	179,543	187,735	-4.4
Financial intermediation	614,676	428,666	43.4
Real estate, renting, and business activities	616,077	396,478	55.4
Public administration and defense	114,199	86,156	32.5
Education	266,025	179,891	47.9
Health and social work	872,395	524,548	66.3
Other services	337,856	276,487	22.2
Unclassified	380,609	285,386	33.4

Note. Income gap is computed by getting the percentage difference in the average net taxable income values of male over female SEP taxpayers.

Source: Extracted from BIR Form Nos. 1701 and 1701A databases.

For the SEPs availing of the 8% gross receipts tax (GRT) from 2018 to 2020, there were 1.7% less female taxpayers than males. In addition, female taxpayers had an average net taxable sales/receipts amounting to P368,593, which was 10.6% lower than males. (See Table 5.)

Table 5

Average Net Taxable Sales/Receipts Gap by Sex, 2018-2020

Particulars	Male	Female	Gap (in %)
Average number of taxpayers	107,173	105,331	1.7
Average net taxable sales/receipts	P407,729	P368,593	10.6

Note. Gap is computed by getting the percent difference in the values of male over female SEP taxpayers.
Source: Extracted from BIR Form Nos. 1701 and 1701A databases

IV. TAX CONTRIBUTION OF WOMEN ENGAGED IN BUSINESS AND PRACTICE OF PROFESSION

From 2018 to 2020, an average of 1,021,271 SEPs filed their income tax returns with the BIR annually, representing only 8.2% of the SEPs in the labor force survey. Of the tax filers, the female SEPs were observed to be more compliant in filing their income tax returns, with 10.8% as compared to only 6.5% of male SEPs who filed their income tax returns. (See Table 6.)

Table 6

Average Comparative Number of SEPs and Tax Filers by Sex, 2018-2020

Particulars	Number of SEPs in the labor force	Number of SEP tax filers	Ratio of tax filers (in %)
Male	7,613,236	492,877	6.5
Female	4,871,940	528,394	10.8
Total	12,485,176	1,021,271	8.2

Sources: PSA Labor Force Survey and BIR.

In 2018, the passage of the Tax Reform for Acceleration and Inclusion or TRAIN Law¹ allowed the SEPs whose gross receipts and other non-operating income not exceeding the P3,000,000 value-added tax threshold to opt for an 8% GRT in paying their income tax rather than the traditional graduated rate. From 2018 to 2020, majority (79%) of the SEP tax filers chose to pay the traditional graduated rate instead of the 8% GRT. Moreover, of the SEP tax filers, 76.2% were single-proprietors, while the remaining 23.8% were professionals. (See Figures 4 and 5.)

Figure 4

Distribution of SEP Taxpayers by Type of Tax Paid, 2018-2020

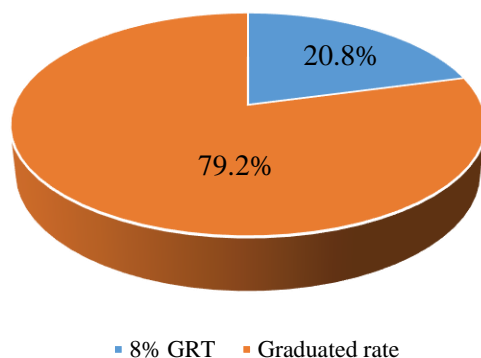
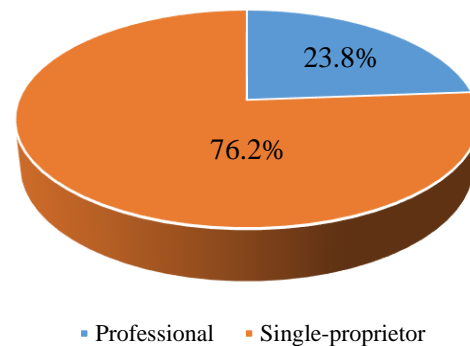


Figure 5

Distribution of SEP Taxpayers by Type of Taxpayer, 2018-2020



Source: Extracted from BIR Form Nos. 1701 and 1701A databases.

It is to be noted, however, that the number of SEP tax filers who availed of the 8% GRT steadily increased across the period under study, with an increase of 8.6 percentage points from 16.5% in 2018 to 25.1% in 2020. The shift from the traditional graduated rate to the 8% GRT can be attributed to the simplicity of this option, where the tax filer would not need to pay income tax and percentage tax separately as this option already covers the two taxes. (See Table 7.)

¹ Entitled, “An Act Amending Sections 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, and 288; Creating New Sections 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, and 265-A; and Repealing Sections 35, 62, and 89; All Under Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended, and for Other Purposes”, (January 1, 2018)

Table 7

Distribution of SEPs by Tax Rate, 2018 to 2020

Year	Graduated rate	8% GRT	Total	Distribution (in %)	
				Graduated rate	8% GRT
2018	884,899	175,248	1,060,147	83.5	16.5
2019	800,973	215,528	1,016,501	78.8	21.2
2020	740,427	247,754	988,181	74.9	25.1
Average	808,766	212,843	1,021,610	79.2	20.8

Source: Extracted from BIR Form Nos. 1701 and 1701A databases

From 2018 to 2020, the majority of the taxpayers who paid the graduated rate were single proprietors (87.0%), while most of the professionals opted to pay the 8% GRT (65.2%). The preference of single proprietors for the graduated income tax rate is due to the availability of deductions before income tax. Professionals, in contrast, have minimum optional or itemized deductions, so opting for the 8% GRT allows them to file their income tax returns with more ease. (See Figures 6 and 7.)

Figure 6

Distribution of Taxpayers Paying Graduated tax rate, 2018-2020

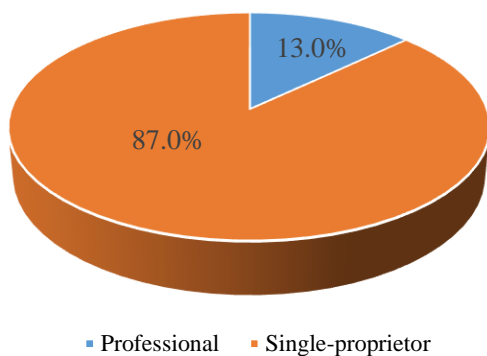
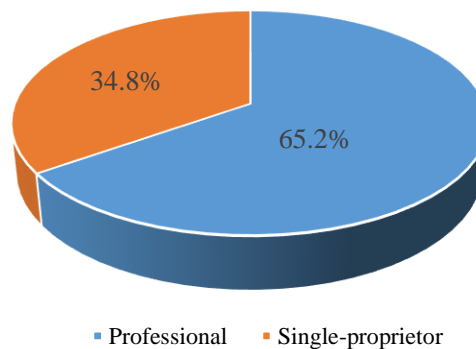


Figure 7

Distribution of taxpayers paying 8% GRT, 2018-2020



Source: Extracted from BIR Form Nos. 1701 and 1701A databases.

As previously discussed, the male SEPs who filed graduated rates have a higher net taxable income than their female counterparts. On average, female SEPs paid 2.5% to 11.6% less taxes than male SEPs over the study period. It can be deduced that male SEPs pay more taxes than females. (See Table 8)

Table 8*Gap in the Average Tax Due of SEPs by Income Bracket by Sex, 2018-2020*

Taxable income bracket	Average tax due		Gap (in %)
	Male	Female	
Not over P250,000	-	-	-
Over P250,000 but not over P400,000	9,137	8,910	2.5
Over P400,000 but not over P800,000	70,838	69,057	2.6
Over P800,000 but not over P2,000,000	267,377	254,984	4.9
Over P2,000,000 but not over P8,000,000	990,758	939,128	5.5
Over P8,000,000	6,310,318	5,652,912	11.6

Note. Gap is computed by getting the percentage difference in the average tax due of male over female SEP taxpayers.

Source: Extracted from BIR Form Nos. 1701 and 1701A databases.

Regarding the net taxable income bracket, it can be noticed that the male SEP taxpayers contributed more taxes as their income increased as compared to female SEPs. Of the total estimated tax collection amounting to P34.1 billion from the SEP tax filers who paid the graduated rate, 64.6% or P22.0 billion was contributed by men, while the remaining 35.4% or P12.1 billion was contributed by women. (See Table 9.)

Table 9*Average Estimated Tax Contribution of SEP Taxpayers Paying Graduated Rate by Sex 2018-2020*

Taxable income bracket	Estimated total tax due (in million Pesos)			Distribution (in %)	
	Male	Female	Total	Male	Female
Not over P250,000	-	-	-	-	-
Over P250,000 but not over P400,000	491	483	974	50.4	49.6
Over P400,000 but not over P800,000	1,487	1,317	2,804	53.0	47.0
Over P800,000 but not over P2,000,000	3,898	2,836	6,734	57.9	42.1
Over P2,000,000 but not over P8,000,000	7,157	4,007	11,164	64.1	35.9
Over P8,000,000	8,961	3,418	12,379	72.4	27.6
Total	21,994	12,062	34,056	64.6	35.4

Note: Author's computation

The same observation can be said for the SEP tax filers who availed of the 8% GRT. The majority (53.0%) of the tax collected from the said tax type came from male SEP taxpayers. In contrast, the gap in the contribution in this tax type was relatively narrower compared to the graduated tax rate. (See Table 10.)

Table 10

Average Estimated Tax Contribution of SEP Taxpayers Paying 8% GRT by Sex, 2018-2020

Particulars	Male	Female	Gap (in %)
Average number of taxpayers	107,173	105,331	1.7
Average tax due (in pesos)	32,618	29,487	10.6
Estimated total tax due (in million pesos)	3,496	3,106	12.6
Distribution (in %)	53.0	47.0	5.9

Note. Gap is computed by getting the percentage difference in the values of male over female SEP taxpayers. Source: Extracted from BIR Form Nos. 1701 and 1701A databases.

In the aggregate, it is not surprising that women in entrepreneurship and practice of profession contributed less tax of about 37.3% than their male counterparts with a contribution of 62.7%, given that male SEPs earn a higher income than female SEPs. (See Table 11.) Studies revealed that women embark on entrepreneurial careers less often than men. Arshad et al. (2016) discussed that gender and social roles significantly affected the income and employment gap between men and women.

Table 11

Estimated Total Tax Due of SEPs by Sex, 2018-2020

Particulars	Estimated total tax due (in million Pesos)			Distribution (in %)	
	Male	Female	Total	Male	Female
Graduated rate	21,994	12,062	34,056	64.6	35.4
8% GRT	3,496	3,106	6,602	53.0	47.0
Total	25,490	15,168	46,657	62.7	37.3

Note. Average values from 2018 to 2020. Author's computation.

V. CONCLUSION

The capability of women to contribute more to the income tax collection depends on their ability to generate income. From 2018 to 2020, while the average number of female SEPs was more than males, data show that their income tax contribution is less than that of male SEPs. The study reveals that the income gap between men and women entrepreneurs and professionals tends to increase as income increases. Nonetheless, it is worth noting that women have high participation in entrepreneurship and the practice of their professions. With the growing number of female SEPs, interventions are needed in order to increase their income as an essential step to narrow and/or bridge the gender gap in terms of earnings between male and female SEPs. With higher tax compliance among female SEPs, higher earnings for them will result in higher tax revenue for the government.

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