# Gender-sensitive Tax Policy Analysis: the Maldives

by Abdulla Husam Shareef
for USAID PFM Project, Ministry of Finance

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# Abbreviations & Acronyms

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|---|---|
| CEDAW | Convention on the Elimination of All Forms of Discrimination Against Women |
| CFE | Controlled Foreign Entities |
| COVID-19 | Coronavirus disease caused by the SARS-CoV-2 virus |
| DTAA | Double Tax Avoidance Agreement |
| EBITDA | Earnings Before Interest, Taxes, Depreciation, and Amortization |
| GDP | Gross Domestic Product |
| GST | Goods and Services Tax |
| HIES | Household Income and Expenditure Survey |
| IFRS | International Financial Reporting Standards |
| MIRA | Maldives Inland Revenue Authority |
| MoF | Ministry of Finance |
| MVR | Maldivian Rufiyaa |
| MBS | Maldives Bureau of Statistics (formerly National Bureau of Statistics) |
| OECD | Organisation for Economic Co-operation and Development |
| SAP | Strategic Action Plan |
| SME | Small and Medium-sized Enterprises |
| TPU | Tax Policy Unit, Ministry of Finance |
| UAE | United Arab Emirates |
| UNDP | United Nations Development Programme |
| USD | United States Dollars |
| VAT | Value Added Tax |

# Gender-sensitive Tax Policy Analysis: the Maldives

## 1. Introduction

In today's public policy arena - especially in development policy debates - gender is a key area of focus. Gender equality is a priority, not just from a human rights or 'justice' perspective, but also from an economic/efficiency[1] perspective. As per the OECD, income loss associated with gender-based discrimination is estimated at about USD 12 billion, or 16% of world income.[2] The need for gender equality is articulated in the United Nations' Sustainable Development Goals, where Goal 5 is to "achieve gender equality and empower all women and girls". Further, gender equality is part of the government's SAP 2019-2023, which recognises the importance of gender as a governance issue. One of the strategies stated under the SAP is to "eliminate socially constructed gender barriers preventing equal rights, participation and benefits for women in social and economic spheres".

In this regard, considering gender from a tax perspective is becoming crucial to better understand the effect of tax policies on the goal of achieving gender equality. This paper is produced as part of the USAID PFM Project and is an attempt to conduct an initial tax and gender assessment to identify gender bias in taxation for the Maldives. The aim is to serve this assessment as the basis for efforts to build a tax and gender database, apply gender-sensitive approaches to tax analysis, formulate policy recommendations and integrate the gender perspective in fiscal policy in the Maldives. With a tax-to-GDP ratio of 19.2% in 2019,[3] this is a much-needed policy tool for the Maldives.

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[1] UNDP, *Investing in Gender Equality: Global Evidence and the Asia-Pacific Setting*, Colombo, UNDP Regional Centre in Colombo, 2008.

[2] G. Ferrant, and A. Kolev, 'Does gender discrimination in social institutions matter for long-term growth?: Cross-country evidence', *OECD Development Centre Working Papers, No. 330*, Paris, OECD Publishing, 2016.

[3] Ministry of Finance, *Budget 2022* [website], https://www.finance.gov.mv/public/attachments/ekWQz9i91CJ5OtP29rzQuEuQPuSKzi0ZULd2qEdr.pdf (accessed 20 February 2022).

Although within the broader socio-economic tool of gender-sensitive budgeting[4] to advancing gender equality, this paper does not address the budgetary aspects of fiscal policy – rather, a limited focus is put only on tax policies. It is, however, acknowledged that for a full understanding of income and gender impacts of fiscal policies can only be achieved when taxation (revenue) and expenditure are analysed together.[5]

The key challenge in putting this paper together is the lack of available data. Due to the limited nature of the project, primary data collection was not involved. Instead, attempts were made to gather secondary data available with the tax administration and government institutions. However, despite multiple attempts and requests from the MoF, we received very limited information and data – and that only from the MIRA. Unfortunately, data requests from other key government institutions were not responded to.

The structure of the paper is as follows. Section 2 touches up on the literature and forms the conceptual basis of the paper. Section 3 provides an overview of the Maldivian legal framework and the tax system. Section 4 provides a gender analysis of the Income Tax and GST regime in the Maldives, and Section 5 concludes the paper with policy recommendations and identification of some areas for research in the future.

[4] "Gender-sensitive budgeting" and "gender-responsive budgeting" are often used interchangeably in the literature.

[5] K. Barnett and C. Grown, *Gender Impacts of Government Revenue Collection: The Case of Taxation*. London, Commonwealth Secretariat, 2004, p. 1.

## 2. Conceptual Framework

Although the role of gender in tax policy analysis is a comparatively new topic, it has gained a significant level of attention in the policy arena. Contributions by scholars to this developing body of knowledge range from the concept of gender in taxation, gendered impacts of taxation, tool and methodologies for gender revenue analysis, and recommendations on integrating a gender perspective into tax policy. It is crucial for us to briefly reflect on some of these discussions.

### 2.1. The Concept of Gender

A gender analysis is dependent on one's understanding of "gender". This is crucial because it affects the person's approach to the analysis and solutions proposed. It is noted by Grown that "Average differences between men and women observed in economic, social and political life are not the result of sex (e.g., biology) but rather are the result of social relations that ascribe different roles, rights, responsibilities and obligations to males and females".[6] As such, she argues that, gender analysis involves examining inequalities between women and men that result from social power relations in households, markets and organisations.

Barnett and Grown argues that gender is a social stratifier that interacts with other important social stratifiers such as class, ethnicity, and location.[7] For instance, the difference in unemployment rates between men and women may vary significantly if people from a particular class or region is considered. It is therefore argued that gender analysis must not only entail analysing women as a distinct group in relation to men as a distinct group. Rather, it should "go beyond the 'average woman' to examine gender differences together with income and, if possible, with race, ethnicity and other important social markers".[8]

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[6] C. Grown, 'Taxation and Gender Equality: A Conceptual Framework' in C. Grown and and I. Valodia (eds.) *Taxation and Gender Equity*, London, Routledge, 2010, p. 4.
[7] Barnett and Grown, Gender Impacts of Government Revenue Collection, p. 6.
[8] Barnett and Grown, Gender Impacts of Government Revenue Collection, p. 7.

In this regard, Barnett and Grown notes of the following four 'stylised facts' about gender differences in economic activity, which must be considered in gender-sensitive tax policy analysis.[9]

1. *Women's work in the unpaid care economy.*

In most societies, the primary roles of caring for children and dependents are on women. Although these activities – also referred to as the domestic, social reproduction or reproductive economy – are vital services that enable the formal economy to function, they are not accounted for in most systems of national accounts. However, the way in which such work is valued has an impact on the conception of income and the interpretation of who bears the burden of tax.

2. *Gender differences in paid employment, including formal/informal employment, wages and occupational segregation.*

There are significant differences between women and men when it comes to formal employment as well. For instance, women's participation in the labour force is low compared to men's participation. Women are also comparatively disadvantaged to men in the paid employment sector, most notable from the gender gaps in earning. Such disadvantaged employment profiles of women mean that they would be more impacted by taxes that carry a heavier burden on the low income/wealth earners or may inhibit them from obtaining certain benefits granted through the tax system.

3. *Gender differences in household decision-making regarding consumption, savings, and investment.*

Women, as compared to men, tend to spend a more significant portion of income on essential items such as food, healthcare and education of children and dependents. It is also true that gender relations and bargaining power among household members affect the types of expenditure and decisions on savings, and investments. As such, it is vital that tax policies

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[9] Barnett and Grown, Gender Impacts of Government Revenue Collection, p. 3.

take these differences into consideration, understanding that the impact of tax policies will be vary for women and men.

4. *Gender differences in property rights.*

Property rights is an area where women are treated significantly different than men. These treatments may come from cultural norms or from religion. As such, women are placed at a strong disadvantage in securing economic independence.

### 2.2. Gender Bias: Explicit and Implicit Biases

Stotsky analysed tax policies, differentiating between explicit and implicit biases in tax regimes.[10] Explicit biases are laws, regulations, policies, or practices that are outright discriminatory against a particular gender - mostly against women. Many jurisdictions have moved away from such biases and reformed their tax systems to be more taxpayer neutral.

Some examples include:[11]

1. In 1983, France moved from requiring only the signature of the husband on family tax returns to requiring the signatures of both spouses.
2. In 1984, The Netherlands moved from granting a higher tax-free allowance to a married man than to a married woman, to an equal basic tax allowance.
3. In 1993, Ireland moved from joint filing in the name of the husband with an option for separate assessment on labour income for the wife, to an option for the wife to be the "primary taxpayer."
4. In 1991, Malaysia moved from a tax system in which the income of a married woman was attributed to her husband unless she elected separate assessment, to a system in which husbands and wives are treated as separate taxable units with an option for joint treatment.

[10] J. G. Stotsky, 'Gender Bias in Tax Systems', *IMF Working Paper, WP/96/99*, IMF, 1996.
[11] J. G. Stotsky, 'How Tax Systems Treat Men and Women Differently' *International Monetary Fund*, 1997, https://www.elibrary.imf.org/view/journals/022/0034/001/article-A010-en.xml, (accessed 23 January 2022).

5. In 1995, South Africa moved from applying a higher rate schedule to single persons and married women than to married men, to a unified schedule.

Implicit biases on the other hand are not evident from the tax law itself but are often rooted in the patriarchal traditions of the society. In such cases, tax systems appear to be "taxpayer neutral" (i.e., the law treats women and men equally) but has an unequal impact on women and men as socioeconomic realities for women and men, are quite different in many parts of the world. These unequal impacts are caused by the differences between women and men in income, property ownership, or such other factors. Thus, implicit gender biases become apparent only when the real impact of tax systems on individuals or society are studied in-depth to understand how the law intersects with gender relations, norms, and economic behaviour.

Elson takes the view that "bias" is a normative term, as it entails the notion that treating women and men differently is unjustified. However, to achieve substantive equality, various groups in the society often requires different treatment and as such, different treatment does not necessarily mean biased treatment.[12]

In this respect, Elson (2006) develops the implications of Convention on the Elimination of All Forms of Discrimination Against Women ("CEDAW") for tax regimes. Though CEDAW does not specifically refer to taxation, it requires that families be based on 'principles of equity, justice and individual fulfilment for each member' (General Recommendation 21, para. 4) which may be taken to mean that tax regimes must attempt to transform the gendered roles in the society.

### 2.3. Horizontal and Vertical Equity

Equity or fairness is regarded as one of the main pillars of taxation. The principle of equity is operationalised by two criteria: vertical and horizontal equity. The notion behind vertical equity is that those who have the ability to pay more should contribute more to the pool of

[12] D. Elson, *Budgeting for Women's Rights: Monitoring Government Budgets for Compliance with CEDAW*, New York, UNIFEM, 2006.

tax revenue, while horizontal equity posits that those who are equally situated in economic terms should be treated equally for tax purposes.[13] Against this backdrop, there's much literature on the notion of equity from a gender lens[14] and how equity can be achieved in tax policy, whether by tax type, goods and services to be taxed, or on the unit of taxation.[15]

On the topic of equity, one of the key questions asked is on the appropriate unit of taxation. The unit of taxation is the basis on which a person's taxable income is calculated.[16] It is a choice of unit between individual, spousal unit, or household on which personal income tax is imposed.[17] While a decision on the unit of taxation has implications on tax equity, achieving equity is more difficult than said because defining "equals" is a challenging task. For instance, two households receiving the same level of income and therefore considered as "same" tax units will not in reality be the same if one of those households has one wage earner while the other household has two wage earners. Things are even more complicated if the household consists of extended family, or unrelated individuals living together.

Alm and Menik note the difficulty in choosing the appropriate tax unit as it involves trade-offs and competing goals.[18] It is noted that these goals include the desire to treat families with equal incomes equally, to treat families and individuals equally, to ensure that taxes do not change with marriage (or divorce), and to impose taxes at progressive rates.

From a solely gender-based perspective, an individual taxing unit is considered by many to be more gender-equitable than joint or family taxation.[19] This is primarily because with family or household tax units, secondary earners – of whom majority are women – are put in an unfair position as their income ends up being taxed at a marginally higher rate than it

[13] M. Kohonen and F. Mestrum, *Tax Justice: Putting Global Inequality on the Agenda*, London, Pluto Press, 2009.
[14] J. Nelson, *Feminism, Objectivity, and Economics*, New York, Routledge, 1996, 97-117.
[15] S. Himmelweit, 'Making Visible the Hidden Economy: The Case for Gender Impact Analysis of Economic Policy', *Feminist Economics*, vol. 8, no. 1, 2002, 49–70.
[16] L. Burns and R. Krever, 'Tax Law Design & Drafting', in V. Thuronyi (ed.), *Tax Law Design and Drafting*, Washington D.C, IMF, 1998, 495-563.
[17] Burns and Krever note that a different meaning of tax unit refers to the person or persons against whom tax is assessed, that is, the legal taxpayer, and that the two need not necessarily be the same. For example, in some systems the taxpayer is the individual, but the tax is calculated based on joint incomes.
[18] J. Alm and M. Melnik, 'Taxing the 'Family' in the Individual Income Tax', *Andrew Young School of Policy Studies Working Paper*, Marietta, GA, Georgia State University, 2004.
[19] C. Grown, 'Taxation and Gender Equality'; UNDP, 'Issues Brief: Gender Equality and Poverty Reduction' *UNDP*, https://www.undp.org/content/dam/undp/library/gender/Gender%20and%20Poverty%20Reduction/Taxation%20English.pdf, (accessed 25 January 2022).

would be taxed had the taxing unit been individuals. Depending on how the joint taxation is designed, there are also impacts on married women's labour supply, household production and so forth.[20]

However, there can be inequalities in a system with individual filing units too. Grown notes that an individualised system is less well targeted on household income – meaning that it is less progressive for distribution of after-tax income between households.[21] She also notes that individual tax units introduce inequities between households with two earners and those with one earner and a financially dependent spouse, both of which have the same number of children and the same total household income.

### 2.4. Gender Neutral v Gender Blind

"Neutrality" is one of the broader principles of a robust tax system.[22] A "taxpayer neutral" tax policy or regime disregards identity characteristics such as gender, sexual orientation, race, religion, etc, in the imposition of tax. That is to say, the burden of tax depends on purely economic/financial conditions and not on identity characteristics. As such, a tax policy that treats women and men differently can be seen as a policy that is opposing neutrality.

However, having a tax regime with the same rules applicable to women and men does not mean that the impact is the equal for women and men. There are different gender roles, needs, responsibilities for women and men, and as such, the impact of policies on women and men are also different. Elson describes this appearance of neutrality as gender-blindness[23], noting that the different, socially determined roles, responsibilities, and capabilities of men and women leave women in an unequal position in relation to the men in their community, with less economic, social, and political power.

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[20] Barnett and Grown, Gender Impacts of Government Revenue Collection, p. 1.
[21] Grown, 'Taxation and Gender Equality', p. 9.
[22] The Ottawa Taxation Framework Conditions also set "neutrality" as one of the core principles of taxation (in the context of e-commerce).
[23] D. Elson, 'Gender-Neutral, Gender-Blind, or Gender-Sensitive Budgets? *Gender Budget Initiative Background* Papers, Comonwealth Secretariat, 1997, p. 3.

The question then is how these gender inequalities can be best addressed through tax policies that are non-discriminatory and unbiased. This is addressed in the broader term of "gender-sensitive budgeting". Gender-sensitive budgets do not mean separate or distinct budgets for women or for men. Rather, it is an attempt to disaggregate the budget based on its impact on women and men with "recognizance being given to the society's underpinning gender relations".[24] In the same manner, gender-sensitive tax policies do not mean tax policies designed in favour of a particular gender. On the contrary, literature on this subject highlight the following key perspectives to be taken into consideration:

1. Gender-sensitive: tax policies should be designed to eliminate both explicit and implicit biases.
2. Gender-responsive: tax policies should meet the gendered needs and priorities.
3. Gender-transformative: tax policies must address gender-based inequalities and transform the unequal structures.

[24] D. Budlender, R. Sharp and K. Allen, *How to Do a Gender-sensitive Budget Analysis: Contemporary Research and Practice,* Underdale, SA, Commonwealth Secretariat, 1998, p. 5.

# 3. Maldivian Legal Framework

The Maldives follows a common law system with the courts having the discretion to apply the law in accordance with existing legislation, use of common law precedents and sources of *Islamic Shariah*. It is largely based on the adversarial system.

Laws that govern commercial enterprises and undertakings are generally covered in the following sources of law:

1. Constitution of the Maldives
2. Laws enacted by Parliament
3. Regulations published for the proper implementation of the existing laws
4. Guidelines and rules issued by government ministries and institutions

## 3.1. Legal Framework Concerning Gender Equality

In the recent past, Maldives has made significant progress in promoting gender equality, particularly in respect of the legal framework. In this regard, Article 17 of the Constitution of the Maldives is one of the most imperative. It reads as follows:

> *"(a) Everyone is entitled to the rights and freedoms included in this Chapter without discrimination of any kind, including race, national origin, colour, sex, age, mental or physical disability, political or other opinion, property, birth or other status, or native island.*
>
> *(b) Special assistance or protection to disadvantaged individuals or to groups requiring special social assistance, as provided in law shall not be deemed to be discrimination, as provided for in article (a)."*

The current Constitution, which came into effect in 2008, removed the previous constitutional limitation for women holding office of the President and the Vice President.

Maldives is also a party to the CEDAW[25] and has enacted a Gender Equality Act in 2016 which prohibits discrimination based on gender, either directly or indirectly, and prescribes several measures to be taken to promote and achieve gender equality. The Gender Equality Act specifically recognises the Maldives' commitment towards the CEDAW and upholding the principles set therein.

Although a detailed review of the legal framework concerning the broader subject of gender equality is not within our scope, listed following are some developments that are noteworthy.

1. Employment Act

Under the Employment Act, a paid maternity leave of 60 days is granted while the paternity leave is granted for 3 days. The Act specifies that upon expiry of the maternity leave, the employee reserves the right to return to work to the same position held with the attendant rights and benefits. Furthermore, female employees are given two breaks daily (30 minutes each) to attend the needs of the child, until the child reaches 1 year of age. Starting from 2019, the Government has increased the paid maternity leave to 6 months and paid paternity leave of 1 month to those employed in the Civil Service.[26] It can be observed that some state-owned companies and private entities have followed suit.

2. Decentralisation Act

In 2019, the Decentralisation Act was amended for taking affirmative action to allocate 33% of the local council seats to women.[27]

3. SAP 2019-2023

Gender Equality is a key area covered in the Government's SAP, which recognises the importance of gender as a governance issue.[28] Some of the strategies set in the SAP concern

[25] With reservations to Articles 7(a) and 16 of the Convention.
[26] The President's Office, *President Solih Announces the Implementation of 6 Months Paid Maternity Leave* [website], https://presidency.gov.mv/Press/Article/20794, (accessed 25 January 2022).
[27] In *Moosa Anwar v Attorney General* [2020/HC-DM/02] this Amendment was challenged at the High Court, citing that it violates the Constitution. It was held by the High Court that the allocation of seats for women does not violate the Constitution.
[28] The President's Office, *Strategic Action Plan 2019-2023*, 2019, https://presidency.gov.mv/SAP/, p. 420, (accessed 25 January 2022).

taking affirmative action to increase female representation in the judicial sector, operation of childcare institutions subsidised by the State, and taking measures to recognise the contributions of women and men through the unpaid care economy.

### 3.2. Maldivian Tax Regime

One of the fundamental principles of taxation is that tax may not be levied without express authority of the law. This principle is also stated in Article 97 of the Constitution of the Maldives, which states that the State cannot levy taxes except pursuant to a Law enacted by the Parliament.

A broad-based tax regime was introduced to the Maldives in 2010. [29] The Maldives Inland Revenue Tax Authority (MIRA), established under the Administration Act,[30] is responsible for tax administration in the Maldives. The legal framework on taxes includes laws enacted by the People's Majlis, which are supplemented by Regulations and Tax Rulings.

The following table summarises the key characteristics of the main taxes currently imposed in the Maldives.

**Income Tax**

| | | |
|---|---|---|
| Rates | **Individuals** | |
| | *Taxable Income (MVR)* | *Tax Rate* |
| | 0 – 720,000 | - |
| | > 720,000 ≤ 1,200,000 | 5.5% |
| | > 1,200,000 ≤ 1,800,000 | 8% |
| | > 1,800,000 ≤ 2,400,000 | 12% |
| | > 2,400,000 | 15% |

[29] The Bank Profit Tax (imposed under Act Number 9/85) and Petroleum Tax (imposed under Act Number 1/89) were the only taxes in effect up until 2010 (although Petroleum Tax was not imposed in practice as there were not petroleum businesses in the Maldives). The first tax introduced in 2010 was the Tourism Goods and Services Tax (imposed under Act Number 19/2010), imposed only from supplies made by tourism establishments to tourists. This was later replaced by a broad-based GST regime in 2011.
[30] Act Number 3/2010.

| | |
|---|---|
| Rates | **Legal Entities other than Banks** |

| *Taxable Income (MVR)* | *Tax Rate* |
|---|---|
| 0 – 500,000 | - |
| > 500,000 | 15% |

**Banks**

25% of taxable income

**Income of non-resident shipping/aircraft operator in international transportation**

2% of gross income

Basis

Residents are taxed on worldwide income. Non-residents are taxed on income derived from the Maldives.

Residence

**Individuals**

- If the person's permanent place of abode is in the Maldives.
- If the person is present in the Maldives for more than 183 days during a 12-month period.
- If the person is a government employee/official who is posted overseas.

**Companies**

- If incorporated in the Maldives.
- If its head office is located in the Maldives.
- If its central management and control is in the Maldives.

**Partnerships**

- If it is formed in the Maldives.
- If its central management and control is in the Maldives.

Accounting period

January – December

| | |
|---|---|
| Preparation of accounts | In accordance with IFRS or other international accounting standards accepted by the Maldives Inland Revenue Authority (MIRA). As a general rule, all expenses incurred for the purpose of the production of income can be deducted in the calculation of taxable profits.<br>Taxpayers with annual turnover of more than MVR 10,000,000 are required to audit their accounts by an approved auditor. |
| Capital gains | Taxed at the same rates. |
| Losses | Can be carried forward for 5 years, subject to "substantial shareholding" and "similar business" test. |
| Alternative minimum tax | None. |
| Controlled Foreign Entities (CFEs) | Non-resident entities controlled by 5 or fewer residents. CFEs are taxed in the hands of the residents. |
| Thin Capitalisation | 30% of Tax-EBITDA applies to interest, except those paid to banks and financial institutions licensed by the Maldives Monetary Authority. Any interest disallowed can be carried forward for a period of 10 years. |
| Foreign tax credit | Ordinary credit available, even without double tax avoidance agreements. |
| Exemptions | Reciprocal exemption is applicable to businesses carried by owners, charterers and lessors of ship or aircraft.<br>Certain exemptions/benefits are also applicable under the UAE-Maldives DTAA. |
| Filing and payment | In two interim payments and a final payment:<br>▪ 1st interim payment - 31 July of the tax year<br>▪ 2nd interim payment - 31 January of the following tax year<br>▪ Final payment – 30 June of the following tax year |
| Payment currency | Taxpayer's presentation currency (either MVR or USD). |

**Non-resident Withholding Tax – within the Income Tax Act**

| | |
|---|---|
| Payments subject to non-resident withholding tax at 10% | ▪ Rent in relation to immovable property situated in the Maldives.<br>▪ Royalty.<br>▪ Interest (other than interest paid or payable to a bank or non-banking financial institution approved by MIRA).<br>▪ Dividends.<br>▪ Fees for technical services.<br>▪ Commissions paid in respect of services provided in the Maldives.<br>▪ Payments made in respect of performances in the Maldives by public entertainers.<br>▪ Payments made for carrying out research and development in the Maldives.<br>▪ Insurance premium paid to a non-resident insurer. |
| Payments subject to non-resident withholding tax at 5% | Payments made to a non-resident contractor. |
| Filing and payment | By 15th of the following month in which the payment is made or becomes due, whichever is the earlier. |
| Payment currency | MVR |

**Employee Withholding Tax (Pay As You Earn) – within the Income Tax Act**

Rates

| *Taxable Income (MVR)* | *Tax Rate* |
|---|---|
| 0 – 60,000 | - |
| > 60,000 ≤ 100,000 | 5.5% |
| > 100,000 ≤ 150,000 | 8% |
| > 150,000 ≤ 200,000 | 12% |
| > 200,000 | 15% |

| | |
|---|---|
| Filing and payment | By 15th of the following month in which the remuneration is paid or becomes payable, whichever is the earlier. |
| Payment currency | MVR |

**Goods and Services Tax**

| | |
|---|---|
| Registration | Taxpayers are required to register for GST if:<br>▪ value of supplies exceeds MVR 1 million in a period of 12 months.<br>▪ supplies are made in the tourism sector.<br>▪ the taxpayer holds an import licence. |
| Rates | GST is imposed at 2 rates:<br>▪ 12% for supplies in the tourism sector.<br>▪ 6% for supplies in the general sector (sectors other than tourism).<br><br>Certain supplies are zero-rated or exempt. |
| Taxable period | Monthly taxable periods for taxpayers with a taxable sale of more than MVR 1 million in a calendar month. If not, taxpayer may elect to have quarterly taxable period. |
| Filing and payment | By 28th of the following month |
| Payment currency | Tourism sector: USD<br>General sector: MVR |

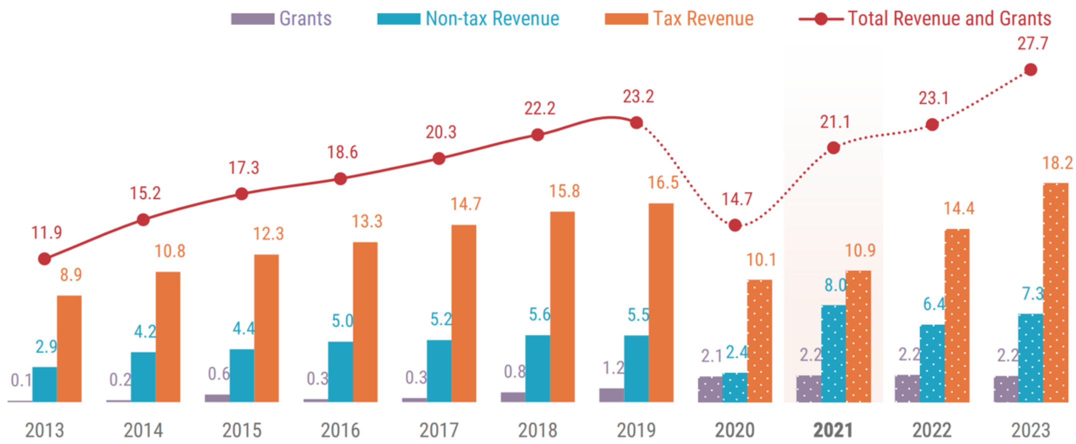
**Green Tax**

| | |
|---|---|
| Rate | Guesthouses: USD 3 per bed per night<br>Other tourist establishments: USD 6 per bed per night |
| Taxable period | Monthly |
| Filing and payment | By 28th of the following month |
| Payment currency | United States Dollars |

## 4. Gender Analysis of Taxation: the Maldives

### 4.1. Overall Tax Structure

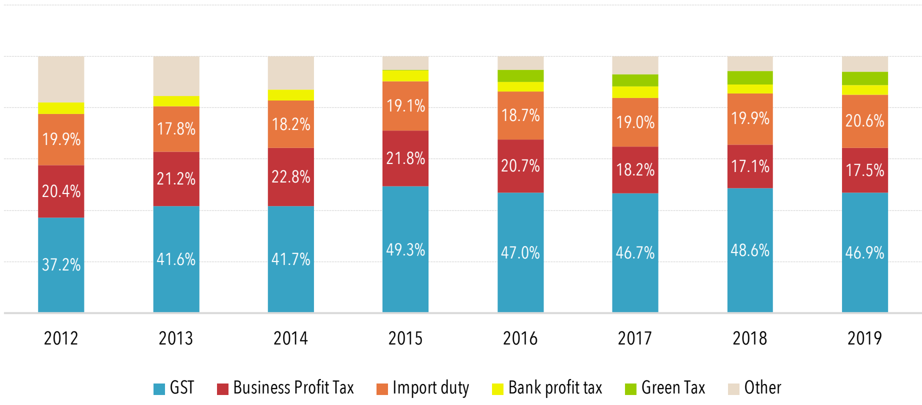
Since the introduction of a broad-based tax regime in 2010, the tax revenue has been on an upward trajectory. Tax revenue has grown from MVR 8.9 million in 2013 to MVR 16.5 million in 2019.[31] For the period, this is an average of 67.91% of the total revenue and grants.




Source: MoF (2021). Figures in MVR (millions).

If tax revenue is disaggregated by type, it is seen that the larger chunk of tax revenue comes from three main tax types: namely GST, Business Profit Tax, and Import Duty. Of this, GST represents a significant portion, keeping the average above 45% of the total revenue during the last five years. Another indirect tax – import duty – also represents a fair portion if compared with direct taxes: Business Profit Tax and Bank Profit Tax.

[31] Ministry of Finance, *Budget in Statistics*, 2021, https://www.finance.gov.mv/publications/reports-and-analyses/budget-in-statistics. (accessed 26 January 2022).




Source: MoF (2021)

While consumption taxes, such as GST, are favoured by many on the argument that tax on income is a disincentive for labour, investment, and savings, it is true that consumption taxes are in any case more regressive than other components of the tax system.[32] This is because the poor, of which women represents a fair percentage, tends to spend a larger chunk of their income on basic consumption. Furthermore, the different consumption patterns of women mean that commodity taxes tend to exert an implicit bias, creating the potential for women to bear a larger consumption tax burden.

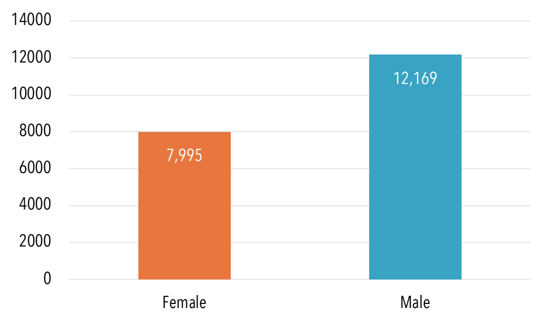
In this context, to understand the gendered impacts of the tax structure, it is important that we recognise and place women in the context of economic agents. It is seen that women's participation in the labour force is low. This can be seen from the following labour force and unemployment data, from HIES 2019.[33]

[32] A. Decoster, et al., 'How regressive are indirect taxes? A Microsimulation analysis for five European countries', *Journal of Policy Analysis and Management*, Special Issue on Poverty Measurement, vol. 29, no. 2, 2010, pp. 326-350.
[33] Maldives Bureau of Statistics, *HIES 2019 – Employment*, 2020, https://statisticsmaldives.gov.mv/hies-2019-employment/, (accessed 25 January 2022).

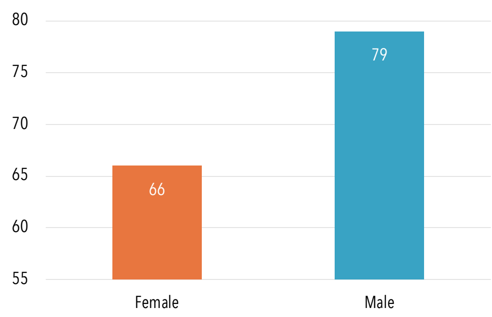
| | Population (15 years & above) | Labour Force |
|---|---|---|
| Female | 169,729 | 73,717 |
| Male | 147,753 | 107,426 |
| Total | 317,482 | 181,143 |

As seen above, women are quantitatively more than men, whereby women represent 53.46% of the population of ages 15 and above. Despite that, in the labour force of 181,144, women represent only 40.69%.

There is a gender gap in remuneration as well. While the monthly average remuneration of male workers is at MVR 12,169, their female counterparts receive only MVR 7,995. Similarly, the average hourly remuneration of female employees is also considerably less compared to male employees.




Average Monthly Earnings in MVR (2019)




Average Hourly Earnings in MVR (2019)

While observing these contrasting economic profiles of women and men, it is also to be noted that the impact of COVID-19 pandemic has disproportionately affected women.[34]

The remaining part of this section is organised by type of taxes and analyses these taxes from various gender dimensions.

[34] Ministry of Economic Development and UNDP, *Rapid Livelihood Assessment: Impact of the COVID-19 Crisis in the Maldives*, 2020, https://www.undp.org/publications/rapid-livelihood-assessment-impact-covid-19-crisis-maldives, (accessed 23 January 2022).

## 4.2. Income Tax

### *4.2.1. Structure and Rates*

The Income Tax[35] regime, introduced from 1 January 2020, replaced the Business Profit Tax[36] regime which was in place from 18 July 2011. The Business Profit Tax was imposed on taxable profits from all economic activities conducted with the aim of making a profit, including lease of immovable properties, but explicitly excluded income from employment.[37] The regime was broadened with the introduction of the Income Tax, which now imposes tax on all forms of income unless exempted, including employment income, capital gains, and even income from illegal or unexplained sources.[38]

Income taxes can be categorised into two theoretic models: schedular and global. Under a purely schedular system, tax rates, gross income and applicable deductions are dependent on the category of income. In such a regime, procedures applicable for reporting, assessment and collection of tax may apply differently to each category of income. Under a purely global system, on the other hand, the category of income is irrelevant as all income and expenses are considered together in arriving at a single net to which the tax rate is applied. The structure of tax is important for a gender analysis because the impact of each system is likely to be different on women and men. Stotsky notes that explicit gender bias in a purely schedular system is rare because tax liability is dependent on the category of income and not the taxpayer.[39] However, a schedular system may have an implicit gender bias too as a particular gender may predominate a particular category of income. This is seen in Argentina a higher rebate is provided for employees than for the self-employed. An implicit bias arises because men predominate in formal jobs while women are more likely to be self-employed.[40]

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[35] Imposed under Act Number 25/2019.
[36] Imposed under Act Number 5/2011.
[37] Business Profit Tax Act, s. 43
[38] Income Tax Act, s. 3
[39] Stotsky, 'Gender Bias in Tax Systems', p. 4.
[40] C. R. Enriquez, 'Gender Equality and Taxation in Argentina', in C. Grown, and I. Valodia (eds), *Taxation and Gender Equity*, London, Routledge, 2010, pp. 64-93.

Of the various possibilities on the spectrum between schedular and global, the Maldivian Income Tax regime is largely global with schedular elements and thus may be described as a 'composite'. Most types of income are combined and is subject to a progress rates schedule while rates and rules differ for certain types of income. For example, payments to non-resident contractors are subject to a withholding tax at 5% but the remaining categories of payments are subject to non-resident withholding tax at 10%,[41] and international transportation businesses are subject to tax at 2% on gross income. While employment income, capital gains and all non-labour income are taxed within the same brackets, separate deduction rules are applied for each of these categories of income.[42]

Although labour income and non-labour income is taxed under the same brackets, the Income Tax regime comprises two rate structures: one for individuals and one for entities.[43] For individuals, there are five income brackets, while for entities, there are only two brackets, and these two rate structures vary significantly. A sole proprietorship is not taxed on non-labour income up to MVR 720,000, while an entity is taxed from the same income if it is more than MVR 500,000.[44] This keeps the effective tax rate of individuals significantly low for lower levels of income.

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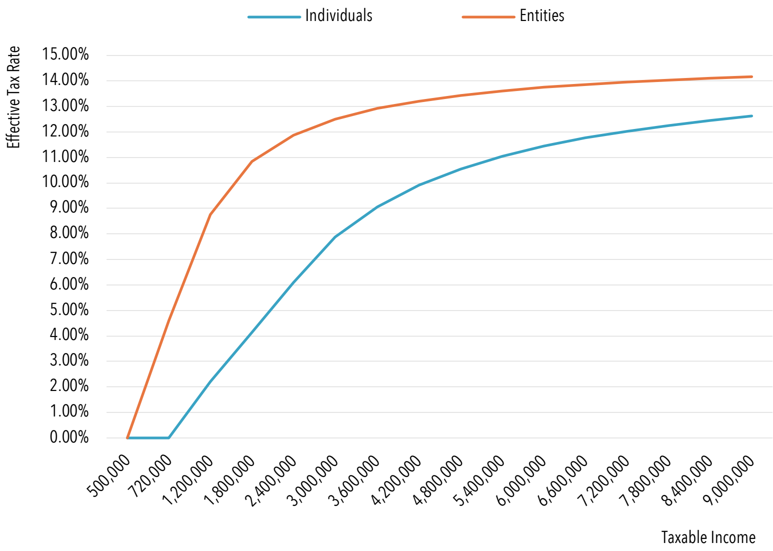
[41] Prior to the First Amendment to the Income Tax Act (Act Number 15/2021), insurance premium paid to non-resident insurers was subject to a non-resident withholding tax of 3%.

[42] The general rule on deduction is that the expense must be incurred "wholly and exclusively" for the purpose of production of total income (Income Tax Act, s. 17). Prior to the First Amendment to the Income Tax Act, deductions on employment income required the expense be incurred "wholly, exclusively and necessarily" for the performance of employment (Income Tax Act, s. 32(b)(6)). Capital losses are deductible only against capital gains (Income Tax Act, s. 34).

[43] For commercial banks, a flat rate of 25% applies.

[44] Comparison here is in relation to non-labour income only because labour income would be earned only by individuals.

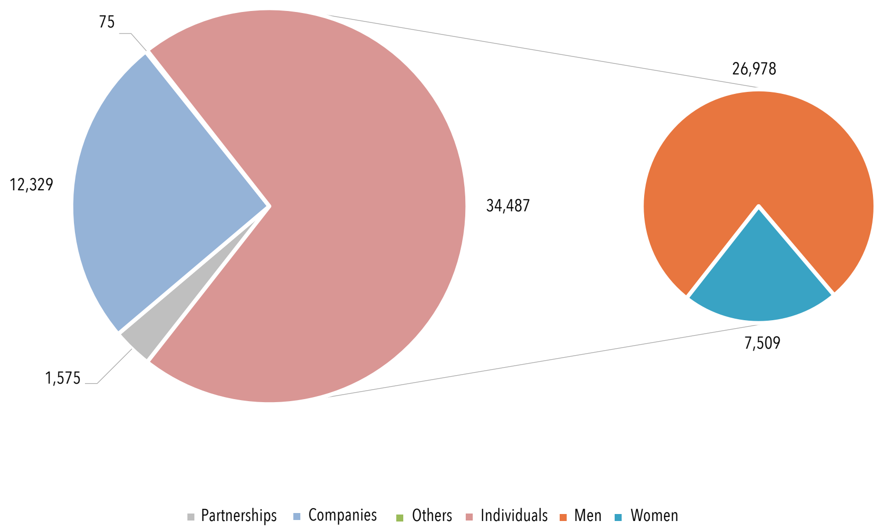



| **Income Bracket** | | **Individuals** | | | **Entities** | | |
|---|---|---|---|---|---|---|---|
| | | **Rate (%)** | **Tax Payable** | **Effective Rate (%)** | **Rate (%)** | **Tax Payable** | **Effective Rate (%)** |
| - | 500,000 | - | - | - | - | - | - |
| 500,000 | 720,000 | - | - | - | 15 | 33,000.00 | 4.58 |
| 720,000 | 1,200,000 | 5.5 | 26,400 | 2.20 | 15 | 105,000 | 8.75 |
| 1,200,000 | 1,800,000 | 8 | 74,400 | 4.13 | 15 | 195,000 | 10.83 |
| 1,800,000 | 2,400,000 | 12 | 146,400 | 6.10 | 15 | 285,000 | 11.88 |
| 2,400,000 | 3,000,000 | 15 | 236,400 | 7.88 | 15 | 375,000 | 12.5 |
| 3,000,000 | 3,600,000 | 15 | 326,400 | 9.07 | 15 | 465,000 | 12.92 |
| 3,600,000 | 4,200,000 | 15 | 416,400 | 9.91 | 15 | 555,000 | 13.21 |
| 4,200,000 | 4,800,000 | 15 | 506,400 | 10.55 | 15 | 645,000 | 13.44 |
| 4,800,000 | 5,400,000 | 15 | 596,400 | 11.04 | 15 | 735,000 | 13.61 |
| 5,400,000 | 6,000,000 | 15 | 686,400 | 11.44 | 15 | 825,000 | 13.75 |
| 6,000,000 | 6,600,000 | 15 | 776,400 | 11.76 | 15 | 915,000 | 13.86 |
| 6,600,000 | 7,200,000 | 15 | 866,400 | 12.03 | 15 | 1,005,000 | 13.96 |
| 7,200,000 | 7,800,000 | 15 | 956,400 | 12.26 | 15 | 1,095,000 | 14.04 |
| 7,800,000 | 8,400,000 | 15 | 1,046,400 | 12.46 | 15 | 1,185,000 | 14.11 |
| 8,400,000 | 9,000,000 | 15 | 1,136,400 | 12.63 | 15 | 1,275,000 | 14.17 |

In principle, there is no logical reason as to why the same income should be taxed differently on the simple difference that the taxpayer is an individual or an entity. Moreover, this rate structure has potential impacts on gender equality because non-labour income is taxed at two rates depending on whether it is earned by an individual or entity, and there is a gender imbalance in earning of non-labour income.

From taxpayer registration data, it is seen that the percentage of women conducting business in their own account is considerably low compared to men. Of 34,487 taxpayers who are individuals, only 7,509 (21.77%) are female. In businesses such as those in tourism, or professions such as being a legislator, that are likely to generate higher income, women are represented even less.[45]

**Composition of registered taxpayers**




Data on those earning labour income shows a similar picture of gender inequality. The following table shows the representation of female employees falling under the tax brackets (i.e., those who fall under the Employee Withholding Tax mechanism)[46]. It is seen that as income rises, the percentage of women represented in the respective tax bracket decreases – except for the 12% tax bracket (i.e., monthly income between MVR 150,000-200,000). On

[45] Details included in Table 7.1.
[46] Income Tax Act, s. 54

average, women represent less than 20% of those falling within tax-paying brackets. At the highest tax paying bracket of 15%, only 10% are women.

| Tax Brackets (MVR - %) | | Total Number of Employees | Female Employees | |
|---|---|---|---|---|
| 0 - 720,000 | 0 | 6,290 | 1,216 | 19.33% |
| 720,001 - 1,200,000 | 5.5 | 1,368 | 204 | 14.91% |
| 1,200,001 - 1,800,000 | 8 | 610 | 78 | 12.79% |
| 1,800,001 - 2,400,000 | 1 | 162 | 30 | 18.52% |
| 2,400,001 and above | 15 | 130 | 13 | 10.00% |

Source: MIRA (October 2021)

Therefore, it can be said that the limited data shows that the availability of a lower effective tax rate has an implicit bias favouring men as it is mostly men who seem to enjoy these lower rates.

### *4.2.2. Unit of Taxation*

Maldivian Income Tax regime is based on individual filing, meaning that each individual is taxed only on their own personal income. There are no requirements for joint filings for married couples or rules that govern family allowances.

However, the treatment is different when it comes to "deemed partnerships" stemming from the definition of partnerships, which includes partnerships registered under the Partnership Act as well as "two or more persons that share the gross receipts and expenses, or the profit or loss, of an activity, whether or not they use a separate name and whether or not the persons have joint or common rights in any property that produces the receipts".[47] In practice, these "deemed partnerships" typically involve persons holding together the title of an immovable property that is leased.[48] The Income Tax Regulation requires income derived from immovable property to be accounted for tax in the name of the legal owner –

[47] Income Tax Act, s. 79(yy)
[48] There are several reasons why an immovable property is often registered in the names of multiple people. Some of that include the culture and family ties, statutory requirements on registration of properties, delays in court/regulatory processes – especially where properties are being transferred to heir of a deceased, etc.

which results in the joint property owners having to account for taxes as an entity despite the fact that income may be received individually.[49]

Though gender-segregated data on property ownership is not available, considering the stylised facts on gender differences in property rights that Barnett and Grown (2004) highlights, it is likely that the implicit bias will be against women. The rules of inheritance under *Shariah* which is practiced in the Maldives, where men inherit a larger proportion of property than women, make said implicit bias even more likely. In effect this means that individuals falling under a "deemed partnership" ends up being taxed not only at the comparatively high "corporate rate"[50], but also that individuals with lower levels of income are subject to a marginally high rate than that would be paid had tax been imposed individually.

#### *4.2.3. Taxable Income*

Tax rates are applied to the taxable income, which is derived by deducting expenses and loss relief from total income. Thus, rules that govern what constitutes income or what may be claimed as deductions or loss relief has a gender dimension for the fact that these intersect differently with both genders.

The only explicit bias in the Income Tax Act is that *mahr*, *nafaqah* and *halanath*[51] (received only by women) are considered an exempt income. This exemption is granted from a religious perspective as Islam requires the husband to financially support this wife and children. These categories of exempt income are therefore received only by women.

The following points highlight some categorisations of exempt income, which are likely to have an imbalanced gender impact.

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[49] Income Tax Regulation, ss 3(d) and 64

[50] For simplification, the assumption here is that the individual does not have other sources of income. If the person earns employment income or has another partnership – whether formal or deemed – or entity, separate thresholds will apply to those incomes as they would be considered as separate taxpayers. The gendered impacts of such scenarios would again be different.

[51] *Mahr* is paid by the groom to the bride at the time of marriage. Although this is often paid in money, it does not necessarily have to be money. *Nafaqah* is the financial support required to be provided by the husband toward his wife during marriage and for a time after the divorce. *Halanath* is the financial support paid by the father to his children.

1. Dividend and partnership profits received by a resident is an exempt income.[52] Data on Employee Withholding Tax, which covers remuneration of shareholders and partners as well, suggest that men tend to enjoy more benefits from this exemption. Detailed data on shareholding structure, composition of partnerships, and dividend/partnership profits is required to analyse the actual impact of this provision.
2. Several types of interest income are considered as exempt from tax. These include interest from securities issued by listed companies,[53] interest that does not form business income (e.g., interest from savings at the bank) – up to a maximum of MVR 5,000 per year,[54] and interest from listed debt securities.[55] Given the 'stylised facts' mentioned earlier and having regard to the imbalanced economic role of women in the Maldives, it is worth exploring how these exemptions translate into substantive gender equality.
3. Receipts as pension, as well as the contribution by the employer towards the employee's pension scheme, is an exempt income.[56] This is likely to benefit men relatively more than women because more women work in the informal sector[57] and therefore are not under the retirement pension scheme.[58] As per MBS, of those earning retirement pension, only 20% are women.[59]
4. Money received as *hibah*, bequest and inheritance is also an exempt income. Due to the Islamic inheritance system in the Maldives, this exemption will disproportionately favour men.

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[52] Income Tax Act, ss 12(a) and (b)
[53] Income Tax Act, s. 12(f)(1)
[54] Income Tax Act, s. 12(f)(2)
[55] Income Tax Act, s. 12(g)
[56] Income Tax Act, ss. 12(l) and 12(x)
[57] Maldives Bureau of Statistics, *HIES 2019 – Employment*. Across the country, 44% of women work in the informal sector while for men, this percentage is at 36%. There also is considerable difference in these ratios if Male' and other regions are compared.
[58] Under the Maldives Pension Act, a basic pension of MVR 5,000 per month is paid to all citizens above the age of 65, while under the Maldives Retirement Pension Scheme is for those in formal employment (with voluntary participation by self-employed).
[59] Maldives Bureau of Statistics, *Assessment of Gender Statistics in the Maldives* (2020), http://statisticsmaldives.gov.mv/nbs/wp-content/uploads/2020/06/Assessment-of-Gender-Statistics-in-the-Maldives.pdf, (accessed 20 January 2022).

In relation to allowable deductions, the following matters are notable:

1. Expenses incurred wholly and exclusively for the purpose of production of total income are deductible in the calculation of taxable income.[60] Interest is also a deductible expense with certain conditions.[61] Barnett and Grown notes that it is those in the higher income brackets – and thus mostly men – are the heaviest users of such deductions.[62] As such, a thorough analysis is required to examine any implicit biases that are contained in the rules in Maldives.
2. Contribution to the Maldives Retirement Pension Scheme is a deductible expense.[63] This, combined with the fact that pension income is exempt, has an implicit gender bias as fewer women work in formal employment.
3. Domestic or private expenditure is specifically disallowed in the computation of taxable income.[64] This will have an imbalanced gender impact with respect to tax incidence as well as women's participation in the labour economy as expenses such as childcare would not be deductible.

## 4.3. Goods & Services Tax

### *4.3.1. Structure*

As seen in the snapshot table earlier, the GST regime is divided into two sectors: tourism and general. Standard rate for the tourism sector is 12% while it is 6% for the general sector. Unlike many other jurisdictions, there is no reduced rate in the Maldives. However, 22 goods categorised as essential are zero-rated along with exports from the Maldives, and sale of a going concern, while 16 supplies are exempt from GST.

Just like an income tax regime has gendered impacts from the definitions of income or allowable deductions, one of the key aspects of an indirect tax regime that has a gender implication is the GST treatment of a good or service (i.e., whether exempt or taxed, and if

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[60] Income Tax Act, s. 17
[61] Income Tax Act, s. 22
[62] Barnett and Grown, *Gender Impacts of Government Revenue Collection*.
[63] Income Tax Act, s. 19
[64] Income Tax Act, ss. 32(a)(1) and 32(b)

so at what rate). In this regard, imposing GST/VAT on sanitary napkins, often termed as "tampon tax" has been the subject of debate in several jurisdictions, and some of such debates have led to legislative amendments.[65] Interestingly, this is the only gender-related tax debate that the Maldives has seen. Following a social media campaign that used the hashtag #MassaruTax (*Massaru* in Dhivehi meaning periods),[66] removal of GST on sanitary products was included in the first 100-day pledges in the presidential campaign of Ibrahim Mohamed Salih, [67] and the legislative amendment was brought as vide the Fifth Amendment to the GST Act and effective from 3 December 2018.

Similarly, day care services were included in the list of exempt supplies in 2015. Hansard from the People's Majlis shows that gender equality was not the objective for the legislative amendment but a policy desire to bring down the price of day care services.

#### *4.3.2. Incidence of GST*

Consumption taxes, such as GST, are the most regressive components of tax systems.[68] The key question on a gender analysis of such a tax is on whom does the incidence fall more: women or men? To answer this question, it must first be determined what should be an appropriate measure of welfare or ability to pay. There are two approaches adopted in this regard: 1) income, 2) expenditure. Whether income or expenditure is taken as a measure of ability to pay, factors that affect tax incidence include the time period (income/expenditure over a year or over the lifetime) and how rates are allocated to goods and services.

The MoF recently conducted a tax incidence analysis which showed the regressive effect of GST in the Maldives, although at varying levels under the income method and under the

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[65] Kenya was the first country to abolish tampon tax, which was in 2004. In Australia, it was a hot topic ever since its introduction in 2001 and was removed from 1 January 2019. In the UK, sanitary napkins are zero-rated effective from 1 January 2021, while Canada ended GST on sanitary products in 2015. In Germany, sanitary products were reclassified as "necessary" goods and reduced the VAT rate from 19% to 7% effective from 1 January 2020.

[66] Women's Republic, *The Massaru Tax – Period: An Interview with Shafa Rameez*, [website], https://www.womensrepublic.net/the-massaru-tax-period-an-interview-with-shafa-rameez/, (accessed 24 January 2022).

[67] The President's Office, *100 Day Pledges – Social Protection* [website], https://presidency.gov.mv/HundredDays/Pledges/12?lang=EN, (accessed 25 January 2022).

[68] N. Warren, 'A review of studies on the distributional impact of consumption taxes in OECD countries.' *OECD Social, Employment and Migration Working Papers No. 64*, OECD, 2008.

expenditure method.[69] The study shows that the those with higher ability to pay (whether income or expenditure is used as a measure) enjoy more the benefits of reduced prices of zero-rated and exempt goods and services. From a gender perspective, this means that a comparatively larger portion of the GST incidence falls on women who represent a bigger percentage of those in lower income brackets. Similar observations are also made in terms of how goods and services are distributed between taxable, zero-rated and exempt catogories..

Having considered the stylised fact on gender differences between women and men on decision-making consumption,[70] it is likely that a GST incidence analysis with gender-segregated data would show similar results in the Maldives too.

[69] Ministry of Finance, *Tax Incidence of GGST*, 2021 (not published).
[70] Barnett and Grown, *Gender Impacts of Government Revenue Collection*, p. 3.

## 5. Conclusion

Though there is a gender dimension to all aspects of tax policy, gender is not a mainstream topic of debate in tax policy or tax reform. Of the several changes to tax laws, regulations and policies in the Maldives, the only change that was targeted at addressing gender equality is the zero-rating of sanitary products in 2018. Nonetheless, considering that taxation is relatively new to the Maldives, this can be taken as a significant step towards the discourse on gender equality.

Tax policy may be used for social and economic engineering too. Nevertheless, tax policies are influenced by economic, political, and social realities which constrain what the policies could do.[71] This is seen in the Maldivian experience too. As the BPT Act taxed only business income, one of the key objectives of the Income Tax Act which came into force in 2020 was to impose tax on all income of individuals.[72] However, the design of the tax regime, in terms of the unit of taxation and how rates are structured, has repercussions on tax equity which could have been addressed better.

Providing a preliminary review of the legal framework on taxation in the Maldives, it is identified in the paper that there is an explicit bias in the Income Tax regime whereby certain categories of income received only by women are exempt. While this explicit bias favours women, most other aspects of the system have been identified as having an implicit gender bias favouring men. GST incidence analysis conducted by the MoF shows the regressive nature of the tax, which puts a comparatively greater burden on those at the lower income brackets. Linking this finding with the fact that women's income is lower than that of men, it is understood that GST also has an implicit gender bias.

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[71] R. W. Bahl and R. M. Bird, 'Tax Policy in Developing Countries: Looking Back-and Forward], *National Tax Journal* vol. 61, no. 2, 2008, 279-301.

[72] Ministry of Finance, *Public Information: Completing the Income Tax Regime*, 2019, https://www.finance.gov.mv/media/press-releases/completing-the-income-tax-regime, (accessed 24 January 2022).

## 5.1. Policy Considerations for the Future

Various policy objectives must be considered in designing tax policy. Revenue, equity, efficiency, compliance, and administration are just a few of such objectives. Despite the objectives behind, it must be understood that policies designed to achieve each of these objectives have distinctive gendered impacts. In this regard, noted below are some policy considerations for reforming the existing tax systems or in introducing new taxes.

1. *Identification of clear policy objectives and adopting the appropriate policy mix*

   As women and men have significantly varying social and economic roles in the society, how tax policies affect both genders also vary significantly. Thus, as Grown aptly puts, "some tax reforms are superior to others" to fostering gender equality.[73] Grown notes that in cases where raising government revenue is the policy objective, raising the income tax rate can do better to address substantive equality between women and men than raising indirect tax rates or reducing the number of supplies exempt from indirect taxes. If the objective is to reduce the tax burden, she states that exempting more basic items from indirect taxes such as VAT generally does more to achieve substantive equality between women and men than reducing the VAT rate.

   Another perspective on addressing gender inequalities through tax policies can be seen in a study of OECD countries by Jaumotte, where the impact of tax treatment of second earners, childcare support, paid parental leave, and other tax incentives on female labour force participation was analysed. It was found that countries that offer favourable tax treatment for second earners, supported by high public spending on childcare, are the countries with highest female participation rates. [74]

   It is therefore of utmost importance to clearly identify the policy objective of the policy at hand. Is the objective to raise revenue or is the objective to address the distributive effect

[73] C. Grown, 'What Gender Advocates Should Know About Taxation', *The Association for Women's Right in Development*, 2006, https://www.awid.org/sites/default/files/atoms/files/why_those_working_on_gender_equality_should_know_about_tax_law_issues.pdf, (accessed 25 January 2022).

[74] F. Jaumotte, 'Female labour force participation: past trends and main determinants in OECD countries', *Economics Department Working Paper 376*, Paris, OECD, 2003; See also, O. Thevenon, 'Family Policies in OECD Countries: A Comparative Analysis', *Population and Development Review*, vol. 37. no. 1, 2011, pp. 57-87.

of tax? Or is the policy intention to reduce compliance cost for a particular group in the society? Once questions such as these are clearly answered, available policy options should be evaluated to identify their implications on gender equality and thereby adopting the appropriate policy mix.

2. *Striking the right balance between revenue sources*

   Raising sufficient revenue for public expenditure is one of the key objectives of any tax policy. However, as direct and indirect taxes have different gender impacts, it is crucial to strike a right balance in the ratio of direct to indirect. While it is not in the scope of this paper to discuss this topic in detail, it is worth noting that the trend differs across countries and their income levels.[75] In low-income countries, burden of income tax may not be so heavy (as their income may not reach tax paying brackets) but are likely to face disproportionate burden from broad-based indirect taxes or other fees and charges. We have seen above that the situation is similar in the Maldives.

3. *Tax equity*

   The individual unit of taxation may be considered a positive aspect for gender equality in the Maldives.[76] However, there are some elements in the system that may be argued to contradict tax equity and even reinforce gender inequalities within the society. One of such examples is the exemption of tax on dividends, which is more likely to be earned by those in higher income brackets, and predominantly men. Furthermore, while acknowledging the trade-offs and competing goals involved in choosing the taxing unit, policy consideration should be given to analyse the issue further to choose the right policies. For example, if single earner households with children are mostly headed by women, as is the case in South Africa,[77] should that household bear the same tax burden

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[75] J. M. Vazquez, V. Vulovic and Y. Liu, 'Direct versus indirect taxation: trends, theory, and economic significance', in E. Albi and J. M. Vasquez (eds), *The Elgar Guide to Tax Systems*, Cheltenham, Edward Elgar, 2011, pp. 37-92.

[76] When the Income Tax regime was designed, one of the reasons cited for starting the tax paying income brackets at MVR 40,000 was that average household expenditure was in that range. Even though expenditure was estimated at household level, taxing unit was set at the individual level, raising critical questions on equity at the household level. It is, however, not within the scope of this paper to discuss this matter in detail.

[77] Grown, 'Taxation and Gender Equality', p. 11.

as a household with dual earners? If so, what implication does that policy have on substantive gender equality?

4. *Revisit the list of zero-rated and exempt supplies*

   As the expenditure patterns differ significantly between women and men, the incidence of tax falling on both genders also differ. While both zero-rating and exemption on GST have the same effect of the consumer not having to pay any GST, it should be noted exemption can sometimes raise prices because exemption breaks the input tax credit chain, and the input tax component may be shifted to the consumer. Having considered the same, it is worthwhile to revisit the list of zero-rated supplies, running policy simulations on how gender equality could best be promoted through the list of goods and services that are zero-rated or exempt from GST.[78] It is understood that such an exercise would require data on expenditure disaggregated both by gender and by type of goods and services.

5. *Affirmative action to achieve gender equity*

   Tax policies can be designed to transform the unequal gender structures. In this respect, some countries have adopted affirmative action policies to address gendered societal roles and their outcomes. For example, in 2001, income tax policies in India were revised to explicitly benefit women whereby a special rebate was given against tax payable by women.[79] In Nepal, to address the unequal land ownership, a tax exemption of 25%-35% was given if land was being registered under the name of a woman.[80] If certain gender inequalities are not addressed very much with indirect policies, taking such affirmative action is a policy tool that may be considered as it was done regarding the allocation of seats for women in local councils.

[78] For similar studies in various countries, see C. Grown and I. Valodia (eds.) *Taxation and Gender* Equality, London, Routledge, 2010.

[79] P. Chakraborty et al., 'Gender Equality and Taxation in India: An Unequal Burden?', in C. Grown, and I. Valodia (eds), *Taxation and Gender Equity*, London, Routledge, 2010, pp. 94-118.

[80] The World Bank, *Campaigning for Women's Land Rights in Nepal* [website], https://www.worldbank.org/en/news/feature/2018/12/04/campaigning-for-womens-land-rights-in-npal, (accessed 25 January 2022).

6. *Links with the expenditure side of the budget*

   Design of tax policy should not be distinct to the revenue side of public finance. Rather, tax policy design should also take into consideration the expenditure side of the budget as the distributional effect of taxes can be considered jointly with the public expenditure. If individual tax units, for instance, create horizontal inequality at the household level, it may be compensated through rebates, or other forms of targeted public expenditure. To foster substantive gender equality, both the revenue and expenditure policies should be linked well with each other.

7. *Encourage collection and maintenance of disaggregated data*

   Limitations in availability of reliable data at the individual level is one of the key challenges in conducting a gender-sensitive revenue analysis. Although data collected through household income and expenditure surveys prove helpful to some level, gender is an individual characteristic that is often not reflected in surveys conducted at the household level.

   MBS has highlighted gender data gaps, with the main gap being in ownership and control of land.[81] This is an area where data is crucial for a gender-sensitive tax policy analysis as well. Apart from information on property ownership, other areas of importance for gender desegregated data include employment, income, expenditure, grants under Social Protection Act[82] or any other form of expenditure on social protection (e.g., income support allowance provided following the COVID-19 pandemic), compliance (registration, filing, payment, imposition of fines and reliefs granted, etc).

   Consideration should also be given to improving available data so that better analysis may be possible. For instance, data on registered employees is maintained by MIRA based on their registered address, not their place of work, making it unreliable to analyse income level of employees across regions. It was also found that some gender level

[81] Maldives Bureau of Statistics, *HIES 2019 – Employment*, 2020.
[82] This is an exempt income. Income Tax Act, s. 12(u)

information was not maintained electronically or in a format that enables easy data retrieval.

### 5.2. Avenues for Further Research

This study is limited only to the gender impacts of both Income Tax and GST imposed in the Maldives. As such, there is significant research scope on gender impacts of taxation in light of the conceptual framework discussed in this paper. Some of those areas are briefly highlighted below:

1. *Understanding the impacts of all revenue streams:* A broader understanding of the revenue side of the budget is required as there are other fees and charges imposed which form a larger chunk of the revenue base. Similar studies elsewhere show that such informal taxes are a significant fiscal burden on those in the low-income categories.[83]
2. *Tax compliance:* There are studies revealing that women are significantly more tax compliant than men.[84] It would be ideal to understand the levels of tax compliance (registration, timely filing and payment, accurate reporting, etc) and level of awareness between women and men.
3. *Tax administration:* A study by the Uganda Revenue Authority found that more female staff in the institution improved organisational performance.[85] Similarly, Akpan and Sempere found that in Nigeria, female tax officers are perceived by the public to be more understanding than their male colleagues, and that market traders prefer paying taxes to female tax collectors.[86]
4. *Impacts of tax policy:* Although there have been two amendments to the GST Act (i.e., the zero-rating of sanitary products and exempting day care services) that could have potentially positive effects on gender equality, the impact on price from these policy changes are yet to be analysed. Similar studies have been conducted in Australia by the

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[83] L. Paler et. al., *Survey on Total Tax Burden in the DRC*, Institute of Development Studies, 2017.
[84] J. D'Attoma, C. Volintiru, and S. Steinmo, 'Willing to Share? Tax Compliance and Gender in Europe and America', *Research and Politics*, April-June 2017, pp. 1-10.
[85] M. Mwondha et. al., 'Why African tax authorities should employ more women: Evidence from the Uganda Revenue Authority', *Working Paper No. 85*, International Centre for Tax and Development, 2018.
[86] I. Akpan and K. Sempere, 'Hidden Inequalities: Tax Challenges of Market Women in Enugu and Kaduna States, Nigeria', *ICTD Working Paper No. 97*, International Centre for Tax and Development, 2019.

Australia Competition & Consumer Commission following the removal of GST on sanitary products. It was reported that following the legislative amendment, vast majority of businesses reduced the prices of sanitary products by 9.1%.[87] Furthermore, taking into account the argument of Barnett and Grown that gender is a social stratifier that interacts with other important social stratifiers,[88] research may be further extended to analyse the effects of tax policies on particular groups of society, region and age group.

5. *Impact on women-owned businesses:* Apart from the direct tax burden, taxpayers face compliance costs too. Often, such compliance costs are disproportionate on small businesses. In this regard, compliance costs incurred by SMEs – of which women represent a larger percentage (though not significant) than men[89] can be explored. Such an exercise may take into consideration how a simplified system (e.g., on bookkeeping, simplified rate structure, cash accounting) for SMEs may reduce compliance costs and increase tax compliance.

[87] Australian Competition and Consumer Commission, *Price Monitoring of Menstrual Products Following GST Changes*, 2019, https://www.accc.gov.au/system/files/Price%20monitoring%20of%20menstrual%20products%20following%20GST%20changes_0.pdf, (accessed 23 January 2022).
[88] Barnett and Grown, Gender Impacts of Government Revenue Collection, p. 6.
[89] Maldives Bureau of Statistics, *HIES 2019 – Small Business*, 2020, https://statisticsmaldives.gov.mv/hies-2019-small-business/, (accessed 25 January 2022). It is seen that 52% of SMEs are owned by females. Of all SMEs, 85% are conducting business on their own account, and 55% of this are women.

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# 7. Tables

## 7.1. Female Representation in the category of "Individual Taxpayers"

| Sector | | Total registered | Women | |
|---|---|---|---|---|
| A | Agriculture, forestry and fishing | 534 | 83 | 15.54% |
| A1 | Crop cultivation and related service activities (include agricultural activities) | 379 | 89 | 23.48% |
| A2 | Forestry and Logging | 10 | 2 | 20.00% |
| A3 | Poultry / Animal production and related service activities | 58 | 10 | 17.24% |
| A4 | Fishing | 183 | 24 | 13.11% |
| A5 | Aquaculture / Mariculture | 46 | 9 | 19.57% |
| B | Mining and quarrying | 2 | 1 | 50.00% |
| B1 | Mining of sand | 7 | | 0.00% |
| B2 | Extraction of crude petroleum and natural gas | 1 | | 0.00% |
| C | Manufacturing | 685 | 224 | 32.70% |
| C1 | Manufacture of fish products | 125 | 33 | 26.40% |
| C10 | Manufacture of paper and paper products | 6 | 4 | 66.67% |
| C11 | Manufacture of coke and refined petroleum products | 1 | | 0.00% |
| C12 | Manufacturer of chemicals and chemical products | 1 | | 0.00% |
| C13 | Printing and reproduction of recorded media | 25 | 2 | 8.00% |
| C15 | Manufacture of rubber and plastic products | 2 | | 0.00% |
| C16 | Manufacture of other non-metallic mineral products | 3 | 1 | 33.33% |
| C17 | Manufacture of basic metals | 5 | 1 | 20.00% |
| C18 | Manufacture of fabricated metal products, except machinery and equipment | 14 | 2 | 14.29% |
| C19 | Manufacture of computer, electronic and optical products | 3 | 2 | 66.67% |
| C2 | Manufacture of agricultural products | 26 | 12 | 46.15% |
| C20 | Manufacture of electrical equipment | 4 | 1 | 25.00% |
| C21 | Manufacture of machinery and equipment | 3 | | 0.00% |
| C22 | Manufacture of motor vehicles, trailers and semi-trailers (including boat building) | 22 | 1 | 4.55% |
| C23 | Manufacture of other transport equipment | 4 | | 0.00% |
| C24 | Manufacture of furniture | 54 | 1 | 1.85% |

| Sector | | Total registered | Women | |
|---|---|---|---|---|
| C25 | Manufacture of handicrafts and souvenirs | 39 | 26 | 66.67% |
| C26 | Repair and installation of machinery and equipment | 77 | 5 | 6.49% |
| C27 | Other manufacturing | 25 | 3 | 12.00% |
| C3 | Manufacture of other food products | 184 | 89 | 48.37% |
| C4 | Manufacture of beverages | 11 | 4 | 36.36% |
| C5 | Manufacture of textiles | 81 | 51 | 62.96% |
| C6 | Manufacture of tobacco products | 3 | 2 | 66.67% |
| C7 | Manufacture of wearing apparels | 108 | 74 | 68.52% |
| C8 | Manufacture of leather and related products | 3 | 2 | 66.67% |
| C9 | Manufacture of wood and of products of wood and cork except furniture | 46 | 7 | 15.22% |
| D | Electricity, gas, steam and air conditioning supply | 83 | 5 | 6.02% |
| D1 | Electricity, gas, steam and air conditioning supply | 95 | 7 | 7.37% |
| E | Water supply; sewerage, waste management and remediation activities | 13 | 2 | 15.38% |
| E1 | Water collection, desalination, treatment and supply | 6 | | 0.00% |
| E2 | Sewerage | 1 | | 0.00% |
| E3 | Waste collection, treatment and disposal activities; materials recovery | 7 | | 0.00% |
| E4 | Remediation activities and other waste management services | 2 | | 0.00% |
| F | Construction | 700 | 41 | 5.86% |
| F1 | Construction of buildings | 512 | 43 | 8.40% |
| F2 | Civil engineering | 8 | | 0.00% |
| F3 | Specialized construction activities | 31 | 3 | 9.68% |
| G | Wholesale and retail trade; repair of motor vehicles and motorcycles | 6,858 | 1,488 | 21.70% |
| G1 | Wholesale and retail trade and repair of motor vehicles and motorcycles | 683 | 157 | 22.99% |
| G2 | Wholesale trade, except of motor vehicles and motorcycles | 322 | 77 | 23.91% |
| G3 | Retail trade, except of motor vehicles and motorcycles | 907 | 265 | 29.22% |
| G4 | Wholesale and retail trade of food and related products | 1,169 | 327 | 27.97% |

| Sector | | Total registered | Women | |
|---|---|---|---|---|
| G5 | Wholesale and retail trade of electric and electronic products | 183 | 27 | 14.75% |
| G6 | Wholesale and retail trade of clothing and footwear | 489 | 241 | 49.28% |
| G7 | Wholesale and retail trade of construction materials | 49 | 9 | 18.37% |
| G8 | Wholesale and retail trade of souvenirs and related products | 77 | 29 | 37.66% |
| H | Transportation and storage | 332 | 30 | 9.04% |
| H1 | Land transport services and transport via pipelines | 50 | 5 | 10.00% |
| H2 | Sea transport services | 130 | 11 | 8.46% |
| H3 | Air transport services | 2 | 1 | 50.00% |
| H4 | Warehousing and support activities for transportation | 8 | | 0.00% |
| H5 | Postal and courier activities | 8 | 1 | 12.50% |
| I | Accommodation and food service activities | 967 | 196 | 20.27% |
| I3 | Other accommodation | 18 | 1 | 5.56% |
| J | Information and communication | 102 | 9 | 8.82% |
| J1 | Publishing activities | 87 | 22 | 25.29% |
| J2 | Motion picture, video, and television programme production, sound recording and music publishing act | 43 | 4 | 9.30% |
| J3 | Programming and broadcasting activities | 7 | | 0.00% |
| J4 | Telecommunications | 10 | 1 | 10.00% |
| J5 | Computer programming, consultancy and related activities | 81 | 10 | 12.35% |
| J6 | Information service activities | 21 | 4 | 19.05% |
| K | Financial and insurance activities | 10 | 1 | 10.00% |
| K1 | Banking and financial service activities, except insurance and pension funding | 7 | 2 | 28.57% |
| K2 | Insurance, reinsurance and pension funding, except compulsory social security | 4 | 1 | 25.00% |
| K3 | Activities auxiliary to financial service and insurance activities | 5 | | 0.00% |

| Sector | | Total registered | Women | |
|---|---|---|---|---|
| L | Real estate activities | 678 | 244 | 35.99% |
| L1 | Real estate activities | 115 | 32 | 27.83% |
| M | Professional, scientific and technical activities | 352 | 67 | 19.03% |
| M1 | Legal and accounting activities | 134 | 52 | 38.81% |
| M2 | Activities of head offices; management consultancy activities | 26 | 5 | 19.23% |
| M3 | Architecture and engineering activities; technical testing and analysis | 27 | 10 | 37.04% |
| M4 | Scientific research and development | 4 | 2 | 50.00% |
| M5 | Advertising and market research | 13 | 2 | 15.38% |
| M6 | Other professional, scientific and technical activities | 26 | 6 | 23.08% |
| M7 | Veterinary services | 1 | | 0.00% |
| N | Administrative and support service activities | 92 | 16 | 17.39% |
| N1 | Rental and leasing activities | 183 | 71 | 38.80% |
| N2 | Employment activities; Employment agencies, recruitment services | 5 | 2 | 40.00% |
| N3 | Reservation service and related activities | 5 | 2 | 40.00% |
| N4 | Security and investigation activities | 22 | 4 | 18.18% |
| N5 | Services to building and landscape activities | 7 | 2 | 28.57% |
| N6 | Office administrative, office support and other business support activities | 32 | 3 | 9.38% |
| O | Public administration and defence; compulsory social security | 11 | 2 | 18.18% |
| O1 | Public Administration and defence; compulsory social security | 3 | | 0.00% |
| P | Education | 122 | 48 | 39.34% |
| P1 | University, Colleges | 14 | 8 | 57.14% |
| P10 | Vocational and Technical Educational Institutes | 4 | 1 | 25.00% |
| P11 | Sports and recreation education | 12 | 2 | 16.67% |
| P12 | Other education | 17 | 11 | 64.71% |
| P13 | Educational support activities | 16 | 7 | 43.75% |
| P2 | Public and Private Schools | 3 | 2 | 66.67% |

| Sector | | Total registered | Women | |
|---|---|---|---|---|
| P3 | Pre-primary and primary education | 12 | 6 | 50.00% |
| P4 | Secondary Education | 1 | 1 | 100.00% |
| P5 | Higher education | 10,888 | 1,887 | 17.33% |
| P6 | Computer Training institutions | 1 | | 0.00% |
| P7 | General tuition classes | 24 | 12 | 50.00% |
| P8 | Tuition services | 29 | 19 | 65.52% |
| P9 | Quran classes | 51 | 26 | 50.98% |
| Q | Human health and social work activities | 50 | 16 | 32.00% |
| Q1 | Hospitals and other health activities | 41 | 15 | 36.59% |
| Q2 | Residential care services | 4 | 3 | 75.00% |
| Q3 | Social work activities without accommodation | 17 | 11 | 64.71% |
| R | Arts, entertainment and recreation | 120 | 18 | 15.00% |
| R1 | Creative, arts and entertainment activities | 124 | 40 | 32.26% |
| R2 | Libraries, archives, museums and other cultural activities | 2 | 1 | 50.00% |
| R3 | Sports activities and amusement and recreation activities | 55 | 16 | 29.09% |
| S | Other service activities | 2,477 | 539 | 21.76% |
| S1 | Activities of membership organizations | 4 | 1 | 25.00% |
| S2 | Repair of computers and personal and household goods | 32 | 1 | 3.13% |
| S3 | Other personal service activities | 488 | 130 | 26.64% |
| T | Activities of households as employers; undifferentiated goods and services-producing activities of households for own use* | 28 | 9 | 32.14% |
| T1 | Activities of households as employers; undifferentiated goods and services-producing activities of households for own use* | 24 | 14 | 58.33% |
| U1 | Activities of extraterritorial organisations and bodies | 1 | | 0.00% |
| V | Tourist Sector | 43 | 3 | 6.98% |
| V1 | Tourist Resort | 3 | | 0.00% |

| Sector | | Total registered | Women | |
|---|---|---|---|---|
| V11 | Other facility located on an establishment in V1 to V6 | 5 | 3 | 60.00% |
| V12 | Travel agency service provider | 1 | | 0.00% |
| V2 | Tourist hotel | 1 | 1 | 100.00% |
| V3 | Guest house | 102 | 20 | 19.61% |
| V4 | Tourist vessel | 22 | 2 | 9.09% |
| V8 | Shop located on an establishment in V1 to V6** | 2 | 1 | 50.00% |
| | | **34,487** | **7,509** | |

* Same field seems to be repeated here, but this is how it is recorded in the MIRA's systems.

** Registrations under V5 and V6 are not made available.

Source: MIRA (December 2021)