1. INTRODUCTION

Have you ever filed an Income Tax Return?

Our tax-time comes but once a year,
'Dependents' may be of good cheer,
For Superman is ever near,
To fill the forms and buy the beer.

Filing an income tax return does not seem to have achieved the importance it deserves. In itself it is a rather tedious, somewhat difficult task which requires a little knowledge of basic arithmetic. But doing it is a first step towards coming to grips with Taxation and the reasons why taxes are structured in one way rather than another.

Taxation Untangled is not a handy guide to help you file your return. Instead it explains the principles that lie behind our tax structure and shows how they discriminate against women.

Discreet Discrimination

It is not that there is one set of Tax Laws for each sex. You will not read, "Men deduct $2,000 and women deduct $1,000", for this would cause an outcry. As this paper will explain, the discrimination is far more subtle than that, and most of it would not normally come to your attention. It is possible that even if you are among the fortunate few who are acquainted with the joys of tax returns, you may have filled in the facts and figures like an obedient automaton without stopping to question why that deduction or this credit or those particular exemptions.
Don't Delay
Those days of unquestioning taxpaying must end at once if we are to rid ourselves of this costly
inequality. It will not be easy, but we must learn about taxation and then demand that the laws be
changed.

The main areas of discrimination are described in this paper, but for more detailed information
please send for the ACSW Research Paper, "Background Study on Women and the Personal
Income Tax System" which is available free.

Tax Test: An Appetizer
To whet your appetite for the goodies to follow why not try our Mix and Match Test? Just fill in
the missing number in the empty box:

1. Ability-to-pay principle
   A □ The more you earn, the more taxes you should pay.
2. The Tax Base
   B □ The % rate at which your Total Income is taxed.
3. Total Income
   C □ Declared income before exemptions and deductions.
4. Exemptions and Deductions
   D □ Legal ways of reducing some people's taxes.
5. Taxable Income
   E □ A person who uses tax loopholes to avoid paying taxes.
6. Marginal Tax Rate
   F □ Types of income which are taxable (not all of them are).
7. Average Tax Rate
   G □ Amounts subtracted from Total Income.
8. Credits
   H □ Amounts deducted from your Tax Payable.
9. Tax Dodger
   I □ Total Income minus exemptions and deductions.
10. Loopholes
    J □ The % rate at which your last few $s are taxed.

Score
H = 8  I = 5  J = 6  E = 9  F = 2  G = 4
A = 1  B = 7  C = 3  D = 10

Tax Test Solution
2. UNDERSTANDING TAXATION

The First Paycheck
Whether you're young or not so young you probably joined the workforce out of necessity — you needed the money. And probably also, when your first payday arrived you received your first workforce 'awakening' — a large bite had been taken from your check by way of 'deductions'. You glanced along the columns with mild dismay... pension, U.I... Health Ins... and then the biggest bite of all — Taxation. And as you wondered where all that money goes you maybe had your first labour force insight:

Why are we taxed?
There are two main reasons for taxation:

i) **No 'man' is an island.** Taxes exist because we live in a society with other people, and it is easier to provide common services like roads, sewers, garbage collection, schools, police protection and hospitals from a common money-box. Also, everyone stands to gain from a well-run, developing economy with adequate defence.

ii) **People do not have equal opportunity in life.** From the moment of conception, everyone has a different chance in life. Depending on family circumstances, ethnic origin, sex, educational opportunity, health and occupational chance and choice, our financial success will vary. Tax monies are used to correct the most flagrant of these inequalities, providing family allowances to parents, welfare to the very poor or disabled and pensions to the old.
How are we taxed?

In theory we are taxed according to how much we earn on the ability-to-pay principle. The more we earn the more we should pay. After we have filled in the tax form and arrived at our Taxable Income, we look up the Tax Table and find out how much our taxes are for that year. The Tax Table is a very simplified version of the Tax Schedule on which it is based. This is a great advantage because it saves us having to do a lot of difficult calculations. On the other hand, it means that most people never get to learn how the tax system works.

The Tax Schedule is a pyramid made up of thirteen building blocks. Each block represents a slice of taxable income, and each slice is taxed at a different rate. Here is the pyramid used in 1976 for Ontario residents: (It is similar in other provinces.)

<table>
<thead>
<tr>
<th>Slice</th>
<th>Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st slice</td>
<td>$654 or less</td>
<td>7.8% tax</td>
</tr>
<tr>
<td>2nd slice</td>
<td>$654 to $1,307</td>
<td>23.5% tax</td>
</tr>
<tr>
<td>3rd slice</td>
<td>$1,307 to $2,614</td>
<td>24.8% tax</td>
</tr>
<tr>
<td>4th slice</td>
<td>$2,614 to $3,921</td>
<td>26.1% tax</td>
</tr>
<tr>
<td>5th slice</td>
<td>$3,921 to $6,535</td>
<td>27.4% tax</td>
</tr>
<tr>
<td>6th slice</td>
<td>$6,535 to $9,149</td>
<td>30.0% tax</td>
</tr>
<tr>
<td>7th slice</td>
<td>$9,149 to $11,763</td>
<td>32.6% tax</td>
</tr>
<tr>
<td>8th slice</td>
<td>$11,763 to $14,377</td>
<td>35.2% tax</td>
</tr>
<tr>
<td>9th slice</td>
<td>$14,377 to $18,298</td>
<td>40.5% tax</td>
</tr>
<tr>
<td>10th slice</td>
<td>$18,298 to $31,368</td>
<td>45.7% tax</td>
</tr>
<tr>
<td>11th slice</td>
<td>$31,368 to $50,973</td>
<td>50.9% tax</td>
</tr>
<tr>
<td>12th slice</td>
<td>$50,973 to $78,420</td>
<td>56.1% tax</td>
</tr>
<tr>
<td>13th slice</td>
<td>more than $78,420</td>
<td>61.3% tax</td>
</tr>
</tbody>
</table>
If your Taxable Income for 1976 was $8,535, for example, your total tax will be $1,565. This is how it is calculated (hold on to your hat):

1st slice: $654 \times 7.8\% = $ 51.01
2nd slice: $653 ([$1,307 - $654] \times 23.5\% = 153.45
3rd slice: $1,307 ([2,614 - $1,307] \times 24.8\% = 324.13
4th slice: $1,307 ([3,921 - $2,614] \times 26.1\% = 341.12
5th slice: $2,614 ([6,535 - $3,921] \times 27.4\% = 716.23

Total Tax Payable: $1,565.94

In this case your marginal tax rate — the rate at which your last dollar is taxed — is 27.4\%. Your average tax rate — the rate at which your Total Income is taxed — is about 15\% (Total Tax Payable : Total Income x 100). Don't be impressed when people (usually rich men) tell you how the government is fleecing them with an exorbitant marginal tax rate. It is the average tax rate that counts. A person with a Total Income of $25,000, while having a marginal tax rate of 45\%, has an average tax rate of only 20\%.

What is not Taxed?
If you look at your Income Tax Return you will see two main ways in which the government arranges not to tax your income: Deductions and Credits. We shall look briefly at each of them.

i) Deductions are sums of money which may be deducted from your Total Income. Some of these Deductions are called Exemptions. There is a personal exemption for each taxpayer ($2,091 for 1976), each "dependent" spouse ($1,830 in 1976) and each dependent child ($392 for children under 16 and $719 for children over 16 in 1976). There is also an age exemption for those over 65 ($1,307 in 1976).

Other deductions include sums granted for disability, for expenses while attending University and for child care expenses. There are also some fairly new deductions which are particularly discriminatory because most women cannot afford them. Some examples are the Registered Retirement Savings Plan, the Interest and Dividend Income Deduction and the Registered Home Ownership Savings Plan. They will be described in more detail in Chapter 5, The Loopholes, where it will be explained how they benefit the rich at the expense of the poor.
The main problem with all these deductions and exemptions is that they discriminate by giving greater tax relief to those who earn the most. This happens because, as we have seen, people with a higher income also have a higher marginal tax rate. A $1,000 exemption, for example, will bring the following savings:

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Marginal tax rate</th>
<th>Saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 5,000</td>
<td>27.4%</td>
<td>$274</td>
</tr>
<tr>
<td>$15,000</td>
<td>40.5%</td>
<td>$405</td>
</tr>
<tr>
<td>$55,000</td>
<td>56.1%</td>
<td>$561</td>
</tr>
</tbody>
</table>

A considerable difference!

ii) Credits are the fairest way of not taxing income. This is because they are deducted from Tax Payable rather than from Total Income and thus affect everyone in the same way. At present, they are allowed for such things as political contributions and investment costs, and ACSW suggests they should be much more widely used to iron out the discrimination against women in our present tax laws.

How are women affected by Taxation?

There are two ways in which women are discriminated against by taxation in our society:

i) Our tax laws favour the richer Canadians and by-and-large women are far poorer than men, and

ii) our tax laws are so designed that they tend to reinforce the inferior dependent status of women in our society.

In the following chapters this paper will show the ways in which women are controlled by and discriminated against in the present tax system. For further information on the way in which taxes favour the rich the ACSW recommends, "The Hidden Welfare System", a report available free from the National Council of Welfare in Ottawa.
3. SISTERS, WE’RE BEING GYPPED

Wanted
Average man seeks woman to cook, clean house, care for three children under the age of seven, act as hostess at occasional business dinner or party. Successful applicant must be able to shop wisely, garden, decorate, budget, mend and provide comfort. Possibility of unpaid job in family business for the right applicant. Annual salary: Nil, plus board and share of bed. Hours: flexible, about twelve a day. No fringe benefits or pension. Good looks a bonus, but not essential.

Until Death do Us Part
Marriage may hold the promise of security and romance, but let’s face it, what other job would dare to advertise such terms and conditions? It’s enough to break a union organizer’s heart. And perhaps it is not too much to suggest that it is the failure of marriage to live up to expectations, coupled with women’s growing dissatisfaction with the “working conditions” which explain the high current failure rate of marriages.

How are Married Women affected by Taxation?

a) Married women who have no income because they are homemakers do not pay taxes. Oddly enough this is not an advantage. For the payment of taxes is a positive act which gives citizens the right and responsibility to have a positive voice in the running of the country. Of course homemakers have the vote, but in terms of their pocketbooks, where it really counts, they can only speak through the income of their spouse. This tends to alienate homemakers from the political processes of Canada.

b) Let’s look at the effect of the exemption the husband gets for a “dependent” spouse. As the government increases this exemption each year to follow the rise in the cost of living, many married people applaud. But in fact the spouse exemption does little for the homemaker. Far from being a dependent, the average homemaker provides essential services that are worth a lot more than it costs to support her.
Worse still, the spouse exemption hampers homemakers from taking outside work when they want to. This is because their husband may be reluctant to let go of his dependent spouse tax relief. Next time you come across a woman house cleaner or babysitter who wants to be paid in cash and does not want to declare her income, remember that it may well be pressure or persuasion from her husband that led her to choose this illegal course.

How are Women Working in a Family Business affected by Taxation?
At present our tax laws do not allow the owner of a family business which is not incorporated to deduct any salary paid to a spouse. This means of course that many of these wives who may in fact be doing a great deal of work for the family business, are not being paid, pensioned, protected or receiving the proper benefits from their work.
Incorporation is a fairly heavy expense for a small business and obviously will not be done if the only benefit would be to give a fair deal to a spouse who is already giving free services.

How are Women in the Labour Force affected by Taxation?
Women in the labour force are usually working because of economic necessity. They can be divided into two groups — single women without dependents and women with children. Our first comment applies to both groups: On average, women in the labour force are earning far less than men. In 1974 the average wage for all Canadians was $10,038, but the average wage for men was $11,738 and for women it was $6,734. Of course, this meant that women paid less taxes than men. But they still paid more than they should have according to the ability-to-pay principle. This is because the less money you make, the less jazzy deductions you can afford, and therefore the greater the proportion of your income that gets taxed.
Secondly, we would like to draw attention to the double role that women with dependents assume. Their work day includes the paid, taxed hours spent at their work-force job and also the unpaid work they do as a homemaker. Such women have very little time for leisure or career enrichment.

How are sole support mothers affected by Taxation?

Sole support mothers are such women. Statistics show that they are among the poorest people in Canada today with an average annual income in 1974 of $5,910. The poverty line for 1975 for big city dwellers for a family of five was $9,388. How do sole support mothers manage to bring up their children?

Once again our tax laws exacerbate an already difficult situation. For at present they do not allow lump sum payments which might be made upon separation or dissolution of marriage to be tax deductible. In consequence those payments are usually spread over a period of time — in order to be a deduction — and thus the separated spouse with the dependents, usually the woman, is tied to the fortune and whims of her estranged spouse.

Found!
And last but not least I would like to thank my sweet little wife who not only typed, proofread, corrected and enormously improved my manuscript, but also cooked the meals, raised the children, and put up with my constant, incessant and deliberate tantrums while I produced my opus for all the world to admire.
4. THE LOOHOLES

In a fair system of taxation every taxpayer would be able to take advantage of any benefits offered. In Canada in recent years some new deductions have been introduced which provide a large tax saving for those who can afford them. Recent statistics show that, alas, most Canadians do not have a hope of using these benefits. And, of course, they are entirely beyond the earning capacity of almost all women.

We call these deductions, The Loopholes, because they are in fact a way for the wealthier Canadians to avoid paying taxes — quite legally, and at the expense of all the other, less fortunate taxpayers. For each time that less taxes are paid by those in the upper income brackets more will have to be paid by the others. This amounts to a massive subsidy to the 'Loophole Users', but of course it never appears as such in reports of government expenditure.

Seek to Abolish but meanwhile Use the Loopholes

Since all Canada's poorer people are discriminated against by these Tax Loopholes, and women in particular, this system should be opposed and changed. But if it is to remain, obviously as many women as possible should try and take advantage of it. It is even worthwhile to borrow the money to purchase one of the Loopholes because the saving in taxes will pay the interest on the loan many times over!

Here is a summary of some of the Loopholes:

1. Work Expenses and Business Expenses
Every wage earner is allowed to deduct 3% from annual income up to a maximum of $150 for work expenses which do not have to be specified. This is not very much.
However, self-employed people and owners of small incorporated businesses are allowed many business expenses which are not available to salaried workers. Not surprisingly, very few women are self-employed or own their own business. The vast majority of them work for a low wage and pay higher taxes to make up for other people’s tax savings.

2. Registered Retirement Savings Plans
All Canadian taxpayers are "allowed" to put money into a Registered Retirement Savings Plan each year. The limits are 20% of annual income up to $3,500 for those who already belong to a company pension plan and $5,500 for those who don't. As long as the money remains in the plan it is not taxed. It should also be mentioned that it is possible for the higher wage earning spouse to invest this money in the name of the other spouse; thus if the money is withdrawn, it is then taxed at the lower tax rate of that spouse! Naturally, most people cannot afford this investment and tax avoidance, but in 1974 $513 million of tax money was saved in this way!

3. Registered Home Ownership Savings Plan
In November 1974 a new loophole was launched. Every taxpayer is now allowed to put $1,000 a year for 10 years into a Registered Home Ownership Savings Plan. This money is never taxed if it eventually is used to buy a home or home furnishings. It is only available to first home-owners. Again on the surface it looks good. It was intended to "assist young people in accumulating the capital required for a down payment on a house."
However statistics show once again that those same young people were not the ones who could afford this luxury investment and tax saving. Note that $1,000 at the Marginal Tax Rate of 7.8% means far less tax relief than $1,000 at a 61.3% Marginal Tax Rate!

4. Interest and Dividend Income Deductions
Last but not least of the Loopholes is the $1,000 deduction which is allowed for interest or dividends on savings, bonds, mortgages, etc. Its stated intent was to keep savings and Investments in Canada (a praiseworthy goal), but need we point out that this incentive once again means a higher share of taxes and thus less buying power for those who have little or no money to invest.
# 5. TAXOPOLY: A GAME FOR ADULTS ONLY

<table>
<thead>
<tr>
<th>GO FOR TAXPAYERS</th>
<th>You get your first paycheck. DEDUCT YOUR TAXES</th>
<th>You are a textile worker working at the minimum wage KEEP PAYING TAXES</th>
<th>You marry and stay home HUSBAND COLLECTS Rich: $1,125 Poor: $ 400</th>
<th>You have a child and earn $8,000 COLLECT $293</th>
</tr>
</thead>
<tbody>
<tr>
<td>You retire on an average pension Men: $4224 Women: $2804 IT'S TOO LATE NOW!</td>
<td>You have a child and earn $50,000 COLLECT $609</td>
<td>You are a babysitter who does not declare her income GO TO JAIL</td>
<td>You pay for child care while you work COLLECT Rich: $50 Poor: $ 0</td>
<td></td>
</tr>
<tr>
<td>You lose all your money and declare bankruptcy GO BACK TO GO</td>
<td>You incorporate your family business after twenty years DRAW YOUR FIRST PAYCHECK</td>
<td>You invest $1,000 in a RHOSP COLLECT UP TO $571.06</td>
<td>You let your husband file your Tax Return BE ASHAMED OF YOURSELF</td>
<td></td>
</tr>
<tr>
<td>Your income is $50,000 a year Get a good accountant and COLLECT and COLLECT</td>
<td>You compare a woman's life earnings with a man's DEDUCT MONEY FOR SEX CHANGE</td>
<td>You separate and then find out who pays tax on the alimony STARVE</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

WHEN DO WE GET INTO THE DICTIONARY?

DEFINITIONS:

WOMEN: A MOTHER, A WIFE, A VICTIM OF MARRIAGE.
HOMEWORK: THE WOMAN IN CHARGE OF A HOUSE
HOME MADE: NOT DEFINED, BUT PREPARED FOR THE SAME AS HOUSEWIFE, BUT WITHOUT ACTUALLY BEING MARRIED TO THE HOUSE.
HOME: SUITED TO THE DOMESTIC LIFE, Plain, ugly, unpretentious, not good looking, ugly, not having elegance or refinement or cultivation. (we kid you not.)
HOMEMAKER: NEW WORD, ENTRY IN DICTIONARY, FOR ONE WHO IS PAID AND PERFORMED FOR WORK IN THE HOME.
For further information on topics discussed in THE PERSON PAPERS send for the free ACSW research papers from The Advisory Council on the Status of Women, Box 1541, Station B, 93 Sparks Street, Ottawa K1P 5R5.

Matrimonial Property
"Background Notes on Matrimonial Property Rights", by Marcia H. Rioux (December 1974)
"Notes on Selected Federal Statutes Recognizing Common-law Relationships", by Henri Major (July 1975)
"A Definition of Equity in Marriage", ACSW policy paper (May 1976)

Rape and Sexual Assault
"When Myths Masquerade as Reality: A Study of Rape", by Marcia Rioux (April 1975)
"Rationalisation of Sexual Offences in the Criminal Code: ACSW Recommendations", (September 1976)

Fringe Benefits
"Sex Discrimination in Fringe Benefits", by Marianne Bossen (February 1975)

Birth Planning
"Notes on the Law of Birth Planning in Canada", by Henri Major (August 1975)
"Abortion in Canada: Background Notes on the Proposed Amendments to the Criminal Code", by Louise Dulude (November 1975)
"Background Notes on Family Planning, Conception and Birth Control", by Mary Pearson (March 1975)

The Price of Maternity
"Maternity Leave and Benefits", by Elsie Robindaine-Saumure (February 1976)
"Maternity Leave, Benefits and Related Issues: ACSW Recommendations", (September 1976)

Taxation Unraveled
"Women and the Personal Income Tax System" by Louise Dulude (May 1976)

Health Hazards at Work
"Occupational Health Hazards of Women: An Overview", by Anne George (January 1977)

The Family in the New Society
"Study Paper on Divorce", by Marcia H. Rioux (June 1976)
"Divorce Law Reform: ACSW Recommendations", (September 1976)

Of Related Interest
"A Review of Appointments within the Power of the Federal Government to Boards, Commissions, Councils, Committees and Corporations", by Marcia H. Rioux and Mary Pearson (December 1975)
"Notes on the Family Court", by Henri Major (June 1974)
"Background Notes on Areas of Federal and Provincial Jurisdiction in Relation to Family Law", by Henri Major (August 1974)