Menstrual Product Tax: Assessing Impact & Action

Webinar - 19.11.2020
Agenda

• Welcome - Tanya Dargan Mahajan (Development Solutions, India)
• Setting the Scene – by Karo Omu (Sanitary Aid Initiative, Nigeria)
• An Economic Assessment of Menstrual Hygiene Product Tax Cuts – by Dr. Laura Rossouw (University of the Witwatersrand, South Africa)
• Advocating for Affordability: The Story of Menstrual Hygiene Product Tax Advocacy in Four Countries – by Susan Fox (Global Health Visions, USA)
• Virtual Roundtable with activists:
  • Farhtheeba Rahat Khan (SNV Netherlands Development Organisation, Bangladesh)
  • Karo Omu (Sanitary Aid Initiative, Nigeria)
  • Kirsten Pearson (CorruptionWatch, South Africa)
• Launch of www.periodtax.org website – by Ina Jurga (WASH United, Germany)
• Question & Answers
• Call to action & closure
Setting the Scene
Karo Omu
Sanitary Aid Initiative, Nigeria
An Economic Assessment of Menstrual Hygiene Product Tax Cuts

Laura Rossouw, University of the Witwatersrand, South Africa
Hana Ross, University of Cape Town, South Africa

Presentation based on research funded by the Bill & Melinda Gates Foundation
## Context

<table>
<thead>
<tr>
<th>Country</th>
<th>Actions</th>
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<tbody>
<tr>
<td>Bangladesh</td>
<td>Bangladesh removed VAT and supplementary on raw materials for production of MH products from July 2019 until June 2021 to stimulate local production</td>
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<td>Kenya</td>
<td>Kenya started to remove taxes in 2004, by 2016 remove all applicable taxes</td>
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<td>Nigeria</td>
<td>As of February 2020, Nigeria exempts locally manufactured MH products from VAT</td>
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<tr>
<td>South Africa</td>
<td>South Africa removed VAT on sanitary pads in April 2019, but tampons are still taxed</td>
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</table>
- Interviewed various stakeholders

- Affordability index
  - Affordability Index calculates price of sanitary pads relative to income and allows comparison of affordability across countries

- Market concentration index
  - Measures level of market competition in sanitary pads

- Tax simulation model
  - Predicts the impact of VAT policies on consumption, equity and revenue loss

Economic tools and approach
What did we find?

- Removing VAT not sufficient to improve affordability
- Many political and economic barriers — complex tax systems and corporate interests
- Tax campaigns are still incredibly valuable
- Caveat: major data gaps
Removing VAT not enough to improve affordability but market competition helps

Relative Income Price of Sanitary Pads

High income

Lower-middle and Upper-middle income

2018
• Corporates encourage tax reductions – can absorb tax cuts into profits

• Market concentration index:
  • Bangladesh score = 47
  • Kenya score = 43
  • South Africa = 23

  • Score > 25 considered non-competitive

• Index links to affordability

• Beware corporate interests

Private sector power to dictate price
Complex nature of pricing and taxes: Example of Bangladesh

% Composition of Price for a Pad in Bangladesh (Domestic Manufacturer)

- VAT: 34.1%
- Tax on imported raw material: 6.7%
- Profit margin: 14.9%
- Wholesale margin: 3.0%
- Retail margin: 20.0%
- Raw material CIF: 8.2%
- Labor and capital costs: 13.1%

% share

60% of this removed in 2019

Tax on imported raw material (0.985 Tk)

- 4%: Advance trend VAT
- 3%: Regulatory duty
- 5%: Advance income tax
- 45%: VAT (removed)
- 25%: Supplementary duty (removed)
- 15%: Customs duty

% share
## Tax simulation model – example from South Africa

<table>
<thead>
<tr>
<th></th>
<th>Before tax change</th>
<th>After tax change</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quantity consumed</strong></td>
<td>110, 741, 228.9</td>
<td>117, 459, 281.2e</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Average retail price (2018 US$) (price per unit)</strong></td>
<td>2.25</td>
<td>1.97</td>
<td>-12%</td>
</tr>
<tr>
<td><strong>VAT/GST revenue (2018 US$)</strong></td>
<td>30, 589, 107.73</td>
<td>0.00</td>
<td>-100%</td>
</tr>
<tr>
<td><strong>Annual unit consumption per capita</strong></td>
<td>7.99</td>
<td>8.47</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Equity Gains ratio</strong></td>
<td>1.58</td>
<td>1.14</td>
<td></td>
</tr>
<tr>
<td><strong>Actual expenditure as a percentage of required expenditure</strong></td>
<td>14.38%</td>
<td>17.63%</td>
<td>22.65%</td>
</tr>
<tr>
<td><strong>Benefit cost ratio</strong></td>
<td></td>
<td>0.66</td>
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To sum it up:

• There are many factors affecting the impact of VAT removals on prices and affordability:
  • Complex tax structures
  • Competition and corporate interests

• **Way forward should include consensus on best practice**
  • We need more data/research to establish best practice
Recommendations for countries

• Systematically evaluate the impact of tax removals and promote data collection

• Promote local manufacturing of MH products and incentivize competition.

• Tax policy proposals need to be explicit about the target, rationale and provide an impact analysis

• Consider targeted subsidies to support free or affordable distribution of MH products
Thank you!

Laura Rossouw (laura.rossouw@gmail.com)
& Hana Ross (hzarub1@yahoo.com)
Advocating for Affordability
The story of menstrual hygiene product tax advocacy in four countries

Susan Fox

Susan.fox@ghvisions.com
## Snapshots of tax advocacy campaigns

<table>
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<tr>
<th>Country</th>
<th>Campaign trigger</th>
<th>Timeframe</th>
<th>Advocacy ask</th>
<th>Tactics</th>
<th>Tax relief result</th>
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<td>Bangladesh</td>
<td>Prioritized by the national MHM platform; national election</td>
<td>2018-2019</td>
<td>Zero tax on pads</td>
<td>Policy brief, media, students, budget proposal</td>
<td>A 2-year removal of VAT and supplemental duties on imported raw materials used to produce sanitary pads in June 2019 (with conditions)</td>
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<td>Nigeria</td>
<td>Inflation (price of pads doubled in 2017); presidential election</td>
<td>2018-2019</td>
<td>Remove all taxes, and 4 other related asks</td>
<td>Social media campaign, gov’t petition, media</td>
<td>Removal of VAT on locally produced sanitary products as of February 2020, in order to promote local industry</td>
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<td>South Africa</td>
<td>General VAT increase in 2018</td>
<td>2018-2019</td>
<td>Zero rate pads and tampons</td>
<td>Economic research, grassroots organizing, academic research, online petitions</td>
<td>Included sanitary pads in the basket of zero rated products in 2019</td>
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Key considerations

Limitations of tax relief
- Underwhelming impact on price/affordability
- Other policies stand in the way of impact

Value-add of tax advocacy
- Adoption of tax relief measures
- A springboard for further policy action
- Broader benefits to MHM and beyond
Case study conclusions

- **MH product tax advocacy has clear value-add in advancing MHM.** From a gender justice perspective, this work is worth doing, even if economic impact is minimal.

- **However, tax relief is not a silver bullet.** Improved access to MH products alone is insufficient to end period poverty and should not be expected to do so. That said, there are clear opportunities for advocacy campaigns to strategically address limitations.

“A price reduction does not solve the problem, that’s just the beginning... If your goal is to influence change in the lives of girls, this means you need to address everything together.”
Our panelists

Karo Omu
Founder, Sanitary Aid Initiative

Kirsten Pearson
Project Specialist, CorruptionWatch

Farhtheeba Rahat Khan
Team Leader, RMG Inclusive Business Programs
SNV Netherlands Development Organisation
Why was affordability important in the Bangladesh context, and why was tax relief pursued?
What did the economic rationale look like, and what ultimately motivated decision-makers to act?
What results did you see following the tax advocacy efforts in your countries?
What are the challenges standing in the way of impact in Nigeria?
# Tax advocacy campaign snapshots

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<td>Policy brief, media, students, budget proposal</td>
<td>• Safe menstruation</td>
<td>A 2-year removal of VAT and supplemental duties on imported raw materials used to produce sanitary pads in June 2019 (with conditions)</td>
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<td>2018-2019</td>
<td>Remove all taxes, and 4 other related asks</td>
<td>Social media campaign, gov’t petition, media</td>
<td>• Health, gender inequality, education, poverty</td>
<td>Removal of VAT on locally produced sanitary products as of February 2020, in order to promote local industry</td>
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<td>General VAT increase in 2018</td>
<td>2018-2019</td>
<td>Zero rate pads and tampons</td>
<td>Economic research, grassroots organizing, academic research, online petitions</td>
<td>• Gender justice • Education • “Sanitary products”</td>
<td>Included sanitary pads in the basket of zero rated products in 2019</td>
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www.periodtax.org

First global site on menstrual product taxes

Ina Jurga, WASH United

Funded under the Innovation Fund by RHSC
• 23 countries apply 0% taxes for the supply of menstrual products (either tax exempt or zero-rated).
13 countries apply a reduced rate which are mostly European countries, which are bound by a minimum tax rate set by EU law.
Interactive Map
Database: Tax rates and Campaigns

There are differences which products are included in favourable tax rates!
### Database: Tax rates and Campaigns

<table>
<thead>
<tr>
<th>Successful campaign</th>
<th>Active campaign</th>
<th>Year</th>
<th>Hashtags or name of the campaign</th>
<th>Link to campaign petition</th>
<th>iMore info about the campaign</th>
<th>Recommended articles or links</th>
</tr>
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</table>

#### UK

In the UK, a nationwide campaign called for the removal of VAT on sanitary pads. The tax was already as low as 5%, but couldn't be scrapped further due to binding EU law. However, the campaign drew much attention to period poverty in the UK, resulting in the TamponTax fund and free product distributions for Scotland and UK.

To learn more about the past period tax campaign, watch the video in our resource section. Furthermore, the Brexit made it possible for the government to announce in July 2020 that there'd be no period tax on tampons and pads from 2021. However, they did not acknowledge reusable period pants as a menstrual product and a company started a new petition to the government.

#### USA

There are active campaigns for various states. We recommend to visit taxfreeperiod.org. Or inquire with the #periodmovement or check out Change.org

- **#EndTamponTax**
- **#TamponTax**
- **change.org**
Explanatory Videos

SCRAP THE PERIOD TAX

CAMPAIGN TIPS

UNDERSTANDING TAXES
Research Report & Advocacy Guide
• Case studies
• Cool campaign examples
• References
• How to address counter arguments
• Glossary of terms
www.periodtax.org

For more info and sharing updates please contact:
Ina.jurga@wash-united.org
Questions & Answers to Presenters and Panelists

Reflections and feedback
Closure & Call to action
THANK YOU!