

Gender and Cross-Border Trade: The Experiences of Women in Malawi

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¹MRA-Policy Planning & Research

The presentation laid out as follows:

- Introduction
- Literature Review
- Methodology & Results
- Notable Quotes
- Lessons from Trade Data
- Policy Implications
- Caveat

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The study aims to draw lessons from Questionnaires for Cross-Border Traders to understand the impact of Tax on Malawian Women traders. We also draw some lessons from detailed import data to ascertain the validity of some crucial responses. In our analysis, we shall attempt to fulfill the following objectives:

- Investigate the impact of taxes on Cross-border women traders
- Examine the tax challenges encountered by female cross-border traders
- By analyzing importation pattern, ascertain the validity of some challenges of Cross Border Traders

We briefly appreciate findings of a few studies on Cross Border Women Traders:

- Title: [*How to Help Women in CBT in Africa*- **Alissa Ghills, 2013**]
- Large share of female traders: About 70% . Sole source of income.
- *Problems*: Undue taxation, poor working conditions, limited access to credit facilities, trade rules & regulation, storage facilities
- *Recommendations*: Empowerment, training, building capacity to access skills, info network & credit, lowering charges & duties, expedite release of seized goods, improve border agency coordination, enhance audits & controls to curb corruption.

Title: [*Cross-Border Traders call for sensitization on tax policies-*
www.newstimes.co.rw/section/article/2016-08-26/202969/, **August 2016**]

- Women traders at Rwanda-Uganda border at Gatuna need assistance on existing tax and trade regulations to be able to formalize their operations.
- Reported being harassed and their goods confiscated but improvement after adoption of a single customs territory.

Title: [*Gender Dimensions on informal CBT in ECOWAS borders -*
Olabisi S. Yusuff, 2015]

- CBT vital in pov.reduction, employment and income opportunities (esp. with little education)
- CBT brings essential & scarce commodities
- *Problems*: little knowledge of customs protocol, multiple & arbitrary taxation of goods, insecurity & sexual harassment, limited market information, communication costs & language barriers.

“Customs officials, immigration and other security men, will always find reasons to demand more money in their individual capacity”.

- Uniformed men likely to undermine reform/policy meant to curb bribes.
- On sexual harassment, none of the women interviewed claimed to be sexually harassed probably due to the stigma involved since it was FGD...
- Collective agreement that women are likely to give their bodies than their goods.
- They revealed unwillingness to stop CBT hence in the interim, coping strategies:
 - Settling drivers to smoothen passage at multiple borders
 - Bribing customs officials not to 'seize' their goods. Goods 'seized' can be redeemed, but once they enter "seizure", they cannot be released until tax is paid plus penalty.

A very simple questionnaire was used to obtain information from Cross-border women traders on how they are affected by taxes. Interviews were conducted over the phone with 10 women sampled from a database of 30 traders obtained from Small and Medium Enterprise Development Institute (SMEDI) Malawi. We shall compile their responses to the seven questions asked.

① Which Country/countries do you normally import goods from?

Here only two countries were cited: RSA and Tanzania with most respondents (70%) travelling to RSA.

② In a year, how many times do you travel to the aforementioned countries

On average, those travelling to RSA travelled about 6 times and those travelling to Tanzania, on average, also reported going there once every two months.

3 What products do you import?

Products were common regardless of country of import and in order of popularity: Clothes, shoes, cosmetics, suitcases, TV Stands, Stationary, dinning tables, chairs, sewing materials, kitchenware, general stationary, tables.

4 The last time you imported, what was the value in Malawi Kwacha, that you spent on one trip covering transport, purchase amount and all other expenses in total?

Here, the amount spent ranged from MK80,000 to MK3,000,000 with the average being MK 1,017,333.33.

5 Approximately how much of this amount was paid in taxes in (MK)?

The taxes paid ranged from MK20,000 to MK360,000 with the average being MK125,333.33. The effective tax rate (tax/income) ranged from 3.4% to 45% with the average standing at 16.1%.

Cross-border Traders and Tax

Effective Tax Rates of Cross Border Women Traders

Total Expenditure	Tax Paid	Effective Tax Rate	Capital Bracket
80,000.00	30,000.00	37.5%	0 to 100
400,000.00	20,000.00	5.0%	200 to 400
570,000.00	83,000.00	14.6%	400 to 600
855,000.00	75,000.00	8.8%	800 to 1000
800,000.00	360,000.00	45.0%	800 to 1000
1,000,000.00	155,000.00	15.5%	above 1000
1,026,000.00	57,000.00	5.6%	above 1000
1,425,000.00	48,000.00	3.4%	above 1000
3,000,000.00	300,000.00	10.0%	above 1000

Figure: Effective tax rates of women traders

Capital Bracket	Effective Tax Rate
0 to 100	37.5%
200 to 400	5.0%
400 to 600	14.6%
800 to 1000	26.9%
above 1000	8.6%

- A correlation coefficient of 0.54 was obtained between capital expenditure and taxes paid. This is a strong positive correlation but not very strong as expected.
- We expect taxes to rise proportionately with expenditure, alternatively, more expenditure means more taxes.
- This finding collaborates with observations of some respondents that those who import more products, pay less taxes proportionately as we shall see in the final two questions.

6 What challenges do you encounter with tax officials, if any, which you believe arise just because you are a woman?

Here, there were a number of responses which we shall summarize below, though some were not gender-related:

- Male officers offering to pay tax for you/reduce for sexual favours
- Female officers harsh to female traders
- Taxes charged on guesswork(without inspecting goods)
- Overcharging deliberately to offer room for negotiation hence bribes & inappropriate favors
- Multiple payment of same duty at several borders (Songwe, Kaporo, Rukuru, Chitimba) despite valid receipt/deposit slip
- Erratic fluctuation of duty over same amount within short period

- ⑦ **What challenges have fellow traders expressed relating to tax officials?(Those you have not experienced yourself)**
 - Charging duty without inspection of goods
 - Taxes fluctuate alot for the same amount of goods
 - Intimidation to bribe tax officials
 - Lack of information on Duty free threshold
 - Small traders pay higher tax proportionately than high-value traders/those importing in bulk
 - Unfairness: Malawi vs Foreigners(favoured)
 - Sexual harassment

“In 2013, a Customs officer was turned down by a woman and he kept overcharging her every time she brought goods”

“We deal with one MRA and conditions should not vary. If we have been assessed and paid appropriate tax at Songwe Border, it is not fair to stop us at all those places and pay more. This eats into our profits and I am seriously considering giving up my business”

“We are Malawians and the business we do create opportunities for fellow citizens, therefore, the police and MRA should treat us as decent people, not as thieves. The taxes we are paying are running the government and even giving salaries to you people. Stop making us pay more than once by intimidation to bribe you.”

“.....For Dedza, it is sad that some women literally beg on their knees to have their goods inspected by MRA officers since they just charge without even seeing the goods”

“I was initially charged 600 thousand kwacha but after I negotiated, I ended up paying 300 thousand Kwacha only”

We wish to examine trade data on the imports most imported by the women CBT that were interviewed—clothes—and draw some lessons from the data. Particularly, examining assertion that high value traders pay less taxes.. First we compare male clothes vs female clothes [These have same tariff structure]

Tariff Structure of all clothes

Import Duty 25%

Import Excise 0%

Import VAT 16.5%

We expect that if these clothes have the same tariff structure, then proportionately, their VDP-tax ratios should be the same. Let us see....

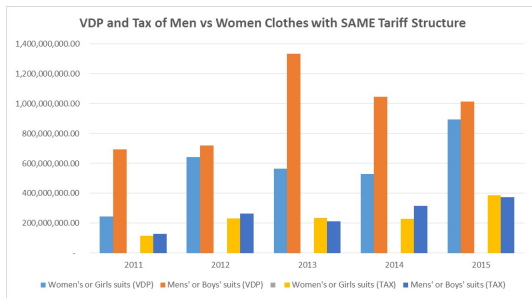


Figure: VDP-Tax Comparison Men vs Women Clothes

Looking at the AETRs, one will observe that the men's clothes (High VDP) are paying lower taxes compared to female clothing yet same tariff structure. Why? Can we narrow down within the same category to see what is happening? Perhaps, we can create various categories of VDPs and observe the variations in taxes.

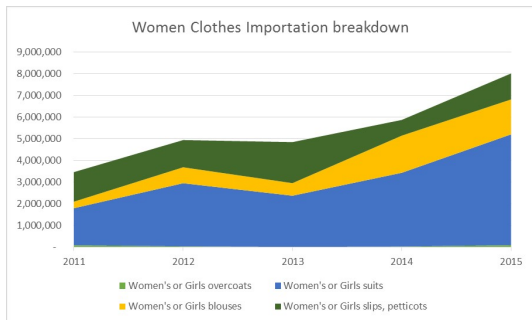


Figure: Components of Female Clothes

Women's/girls' suits are the largest component of the women clothing. We narrow down to this category and examine what happens to the effective tax rate at various levels of VDP for different importers of the same product.

2011			
BRACKET	VDP	TAX	AETR
0-100000	1,827,070.00	776,855.42	42.52%
100000-500000	12,162,370.00	5,432,140.22	44.66%
500000-1000000	13,212,959.00	4,613,917.81	34.92%
1000000-2000000	25,687,819.00	11,325,994.42	44.09%
2000000-5000000	66,894,047.00	17,721,711.06	26.49%
5000000-10000000	125,819,150.00	40,393,328.39	32.10%
10000000-20000000	252,053,587.00	64,213,466.86	25.48%
20000000-30000000	151,743,905.00	38,908,216.59	25.64%
Above 30000000	945,794,416.00	96,375,840.14	10.19%

Figure: Womens' & Girls Suits AETR 2011 by VDP Categories

2012			
BRACKET	VDP	TAX	AETR
0-100000	2,411,574	1,265,912.03	52.49%
100000-500000	4,779,911	2,113,864.94	44.22%
500000-1000000	16,331,343	8,519,521.39	52.17%
1000000-2000000	31,926,663	16,070,999.82	50.34%
2000000-5000000	51,109,198	24,658,147.47	48.25%
5000000-10000000	72,338,608	38,684,729.99	53.48%
10000000-20000000	85,811,712	35,347,843.52	41.19%
20000000-30000000	88,392,623	44,186,586.25	49.99%
Above 30000000	288,492,866	62,263,225.65	21.58%

Figure: Womens' & Girls Suits AETR 2012 by VDP Categories

2013			
BRACKET	VDP	TAX	AETR
0-100000	2,160,873.00	1,055,028.09	48.82%
100000-500000	5,622,616.00	2,605,746.05	46.34%
500000-1000000	13,075,629.00	6,195,521.57	47.38%
1000000-2000000	17,897,970.00	8,221,785.05	45.94%
2000000-5000000	87,045,384.00	38,634,862.83	44.38%
5000000-10000000	85,910,795.00	38,417,206.15	44.72%
10000000-20000000	102,415,707.00	34,699,877.76	33.88%
20000000-30000000	167,462,402.00	66,236,940.02	39.55%
Above 30000000	82,502,770.00	37,656,200.20	45.64%

Figure: Womens' & Girls Suits AETR 2013 by VDP Categories

2014			
BRACKET	VDP	TAX	AETR
0-100000	1,280,943.00	565,831.90	44.17%
100000-500000	6,318,983.00	2,634,358.43	41.69%
500000-1000000	11,525,848.00	4,973,681.26	43.15%
1000000-2000000	26,951,992.00	12,474,614.72	46.28%
2000000-5000000	66,249,684.00	24,270,828.62	36.64%
5000000-10000000	119,088,513.00	50,803,512.16	42.66%
10000000-20000000	122,168,025.00	55,763,875.84	45.65%
20000000-30000000	91,900,545.00	41,962,340.83	45.66%
Above 30000000	83,233,385.00	33,714,022.52	40.51%

Figure: Womens' & Girls Suits AETR 2014 by VDP Categories

2015			
BRACKET	VDP	TAX	BRACKET
0-100000	1,184,432.00	550,578.63	46.48%
100000-500000	5,170,169.00	2,256,061.10	43.64%
500000-1000000	10,425,407.00	4,766,369.17	45.72%
1000000-2000000	23,849,279.00	10,378,955.74	43.52%
2000000-5000000	66,797,337.00	23,470,226.55	35.14%
5000000-10000000	109,738,919.00	46,875,570.48	42.72%
10000000-20000000	174,086,830.00	74,957,670.95	43.06%
20000000-30000000	138,830,264.00	63,396,879.39	45.67%
Above 30000000	362,765,564.00	161,764,619.95	44.59%

Figure: Womens' & Girls Suits AETR 2015 by VDP Categories

We note that indeed what the women cross-border traders reported in the questionnaires is true. This is not mere perception. The more valuable the imports, the lower the tax that is paid. The findings relate to the results from the questionnaire data- we found a weaker positive correlation between tax and amount of capital spent.

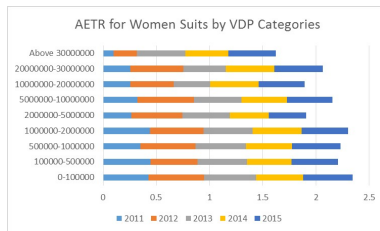
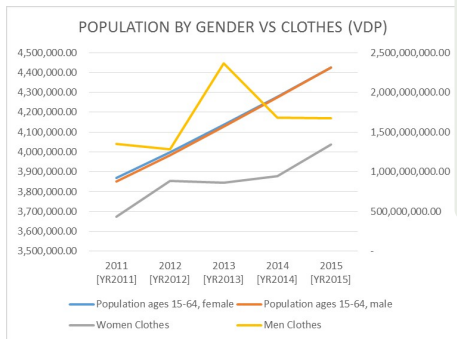


Figure: Womens' & Girls Suits AETR overtime by VDP Categories

From the results above, overtime, however, we have seen the gap in the AETR between top most category and the lowest category declining. This may be attributed to improvements in reforms by the MRA such as: implementation of scanners, rise in importance of customs duties amidst proliferation of trade agreements, improvement in integrity of customs officers? etc and other improvements such as implementation of ASYCUDA World

Figure: Importation of Clothes: Male vs Female



Lessons from Graph

- 1 Population of 15-64 females higher than males...
- 2 Males importing more clothes (in VDP terms)
- 3 Males have more income as backed by HH analysis
- 4 Little understanding about quantities..

Lessons from Graph

- 1 Females importing more clothes
- 2 More income? No, VDP lower, female clothes likely cheaper
- 3 Composition: A higher proportion female suits...likely urban females consuming more
- 4 What of low income women???

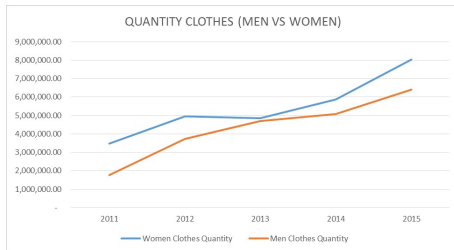


Figure: Quantities of clothes: Male vs Females

Policy Implications

- Paste messages at the borders, billboards and use other information dissemination channels to inform the general public on all duty free imports for individuals/businesses
- Educate women traders on import duty calculation and duty-free thresholds in Malawi thereby empowering them so that they should not be abused/harassed/duped.
- Sensitize customs officers on the rights of Cross-border traders so as to reduce harassment cases.
- Open up and provide more toll-free lines for cross-border traders to report cases of abuse/duping by customs officers.
- Setup separate tribunal, independent and objective to handle tax cases...currently, case against MRA handled by MRA
- Men higher income also shown in importation of relatively more expensive clothes than women's.
- One of the few ways to incentivize women is to reduce tax on women clothing, other means would be administratively cumbersome e.g. VAT segregation.

- Small sample; 10 women
- Framing of some questions
- Obtain men's CBT perspectives as well for comparison
- Mode: Telephone...lack of trust
- One person at a time..perhaps FGD would do next time

End

END