GENDER-LEADING OPPORTUNITIES FOR WOMEN TAX POLICY: A STRATEGIC TAX POLICY FRAMEWORK TO ADDRESS GENDER WAGE DISPARITIES IN INDONESIA

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ABSTRACT

This paper explores the implementation of gender-responsive tax policies in Indonesia to address persistent economic disparities between men and women, particularly the gender wage gap. Gender inequality, especially in wages, continues to be a significant issue in Indonesia. During Indonesia's G20 Presidency, the concept of Gender-Based Tax (GBT) was introduced as a potential solution. However, detailed implementation strategies for GBT remain underdeveloped. Gender-Leading Opportunities for Women (GLOW) scheme can be a solution to address this gap. This framework includes tax reductions for female micro, small, and medium-sized enterprises (MSMEs), incentives for female employees, and VAT exemptions on essential products for women. The research compares Indonesia's approach to GBT with similar policies in other countries to assess their effectiveness and adaptability to local needs. Employing a normative juridical method, the study analyzes relevant legal norms by examining legislation, legal literature, and official documents. This analysis provides real-world insights into the practical application of gender-based taxation. The findings reveal that the GLOW scheme holds significant potential to reduce gender inequality by empowering women economically, particularly through financial independence.

Keywords: Gender-Based Tax, Fiscal Inclusivity, Income Tax Incentives, VAT Exemption, Sustainable Development Goal 5.

ABSTRAK

Tulisan ini membahas implementasi kebijakan pajak yang responsif gender di Indonesia untuk mengatasi kesenjangan ekonomi yang terus berlanjut antara laki-laki dan perempuan, khususnya kesenjangan upah berdasarkan gender. Ketimpangan gender, khususnya dalam upah, terus menjadi isu yang signifikan di Indonesia. Selama masa jabatan Presidensi G20 Indonesia, konsep Pajak Berbasis Gender (GBT) diperkenalkan sebagai solusi yang potensial. Akan tetapi, strategi implementasi yang terperinci untuk GBT masih belum dikembangkan. Skema Peluang Unggulan Gender untuk Perempuan (GLOW) dapat menjadi solusi untuk mengatasi kesenjangan ini. Kerangka kerja ini mencakup pengurangan pajak untuk usaha mikro, kecil, dan menengah (UMKM) perempuan, insentif untuk karyawan perempuan, dan pembebasan PPN atas produk-produk penting bagi perempuan. Penelitian ini membandingkan pendekatan Indonesia terhadap GBT dengan kebijakan serupa di negara lain untuk menilai efektivitas dan adaptasinya terhadap kebutuhan lokal. Dengan menggunakan metode yuridis normatif, penelitian ini menganalisis norma-norma hukum yang relevan dengan memeriksa peraturan perundang-undangan, literatur hukum, dan dokumen resmi. Temuan penelitian mengungkapkan bahwa skema GLOW memiliki potensi yang signifikan untuk mengurangi ketimpangan gender dengan memberdayakan perempuan secara ekonomi, khususnya melalui kemandirian finansial.

***Keywords**: Gender-Based Tax, Fiscal Inclusivity, Income Tax Incentives, VAT Exemption, Sustainable Development Goal 5.*

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1. INTRODUCTION

Gender inequality is discrimination based on sex or gender that causes differences in treatment and priority for one sex or gender over another (Save The Children, n.d.). As gender equality becomes one of the UN Sustainable Development Goals, gender inequality has become a social phenomenon that has sparked the global community. Shang (2022) highlights three main characteristics of gender inequality: (i) an issue of fairness and the well-being of women, (ii) the consequence of gender bias and social norms that restrict women’s rights and opportunities, and (iii) potentially a substantial misallocation of human capital (p.4).

This paper highlights one of the most pressing issues in the context of gender inequality: the wage gap between men and women, specifically in Indonesia. According to the International Labor Organization (ILO) Global Wage Report 2018/2019, women only earn an average wage of around 20% lower than men worldwide (ILO, 2024). Meanwhile, according to the infographics from UN Women Indonesia (2020), there is a gap of around 16% between men's and women's wages in Indonesia, highlighting how gender inequality generates a significant impact on women in various aspects of life, including health, education, and business life. The United Nations (UN) highlights that gender equality and women’s empowerment are hindered by historically entrenched power imbalances and barriers to accessing essential resources. Furthermore, UN Women notes the persistence of the "pregnancy penalty" in developing countries, forcing women into less secure and lower-paying sectors of the economy, often leading to poverty.

In Indonesia, the gender pay gap is particularly pronounced, as indicated by the country's low ranking on the global gender pay equality index by Statista. This disparity has drawn attention in recent years, with initiatives like the Gender-Based Tax (GBT) introduced during Indonesia's G20 Presidency. The proposal of GBT, which advocates for lower tax rates for women, aims to narrow the gender pay gap by offering more significant financial incentives for women to enter the workforce. This concept has sparked debates concerning the balance between direct and indirect taxes. For instance, Value Added Tax (VAT) may perpetuate gender stereotypes due to differences in consumption patterns, with women in developing countries more likely to spend on health, education, and nutrition. Without appropriate VAT exemptions or reduced rates, women may bear a disproportionate burden, which could worsen gender inequality. Similarly, higher subsidies for small businesses—where women are often entrepreneurs—are essential to ensuring gender equality.

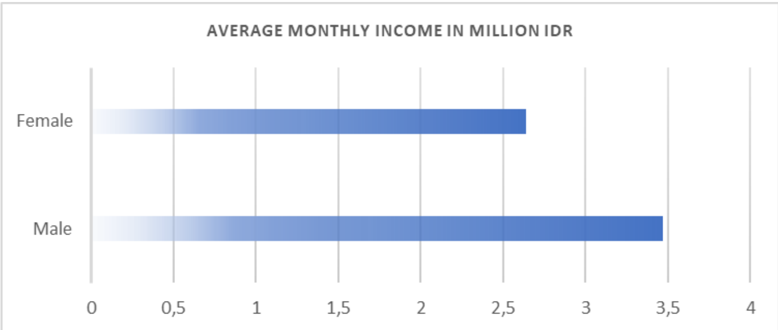

Figure 1.

Average monthly wage in Indonesia as of August 2023, by gender (in million IDR)

As of August 2023, the average monthly wage of female workers in Indonesia was 2.64 million Indonesian rupiah, more than 23.8% lower than that of male workers. Like in many other countries, the female worker's wage in Indonesia is consistently and significantly lower than the male worker's wage (Statista, 2023).

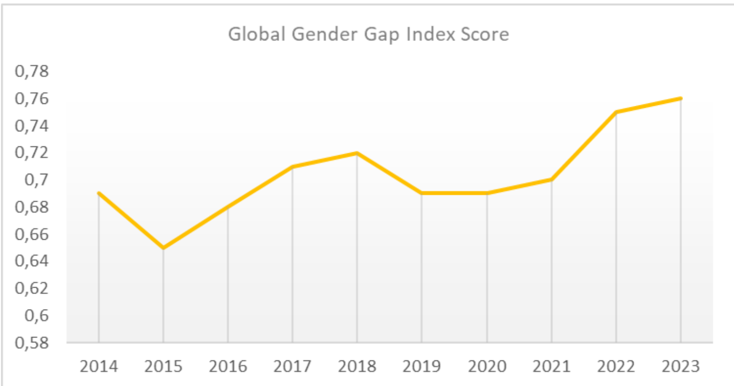

Figure 2.

Global Gender Gap Score Wage Equality Indonesia 2014-2023

In 2024, the Global Gender Gap index score for wage equality for similar work in Indonesia was 0.76, with a score of 1 being absolute parity and a score of 0 being absolute imparity. According to the source, Indonesia is ranked 100th out of 146 countries in the global gender gap rankings (Statista, 2023).

After observing the prevalence of gender inequality in a wage disparity context, this paper emphasises the importance of policy reform through our proposal GLOW (Gender-Leading Opportunities for Women). Firstly, we will discuss the implementation of gender-based tax in other countries and look at the successes of those implementations in alleviating gender inequality. The importance of this paper lies in its exploration of gender-responsive tax policies and their potential to reduce economic disparities based on gender. While previous studies have focused on gender inequality in taxation, especially its impact on consumption patterns, few have examined the intersection of gender-based tax reforms and pay equality, particularly in developing countries like Indonesia.

This study aims to fill that gap by analyzing the effectiveness of gender-based tax policies and their role in fostering economic equality. It is hoped that Indonesia will soon become a country that implements Gender-based Tax to realize gender equality as mandated by SDG 5. Secondly, we will analyze the flaws of the current Indonesian tax policy, specifically in Income Tax and Value Added Tax, and reconstruct these policies with a new framework that benefits women. We hope our research results provide a new and applicable gender-responsive tax policy in Indonesia. Besides that, we will recommend our solution to the Indonesian government, particularly the Directorate General of Taxes, with simulation models tailored to current Indonesian regulations and conditions.

1.1 Research Objective

To examine and analyze the potential of gender-based taxation policies to address gender wage gaps and economic disparities in Indonesia through the proposed GLOW.

1.2 Research Questions

How can Indonesia’s income tax and value-added tax policies be restructured to align with global gender-responsive tax frameworks and effectively address gender-based economic disparities?

2. LITERATURE REVIEW

This literature review begins by defining essential concepts such as tax, income tax, and value-added tax (VAT). It then explores gender-based taxation as outlined in relevant laws and scholarly literature. We then delve into previous studies on gender-based tax, highlighting their findings and contributions to the discourse on tax equity.

2.1 Tax and Gender-Based Tax

Tax is a mandatory contribution to the state owed by individuals or entities, enforceable by law without direct returns, and used for public welfare purposes (Law No. 28/2007). Two primary forms of taxation are income tax and value-added tax (VAT), which are crucial for government revenue. Income tax is imposed on earnings—whether individual or corporate—while VAT is applied as a consumption tax on the added value of goods and services at each stage of production and distribution. Understanding these taxes and how they function within the economy is essential for assessing tax policy effectiveness.

According to Law No. 36 of 2008 concerning income tax, income tax is a levy on income, defined as all payments or compensation related to work, such as wages, salaries, life insurance premiums, and health insurance paid by the employer, conversely, According to Law No. 42 of 2009 concerning Value Added Tax (VAT), the delivery of Taxable Goods conducted in the Customs Area within the scope of a business or employment by Entrepreneurs. Unlike income tax, VAT is often seen as more neutral, as it doesn’t directly impact earnings but targets spending. This fundamental distinction in how these taxes are levied influences economic behavior and shapes the perspectives of both taxpayers and policymakers.

Gender-based taxation is a tax policy framework designed to address gender disparities by recognizing the different economic roles and responsibilities of men and women. It has gained traction as a way to reduce gender inequality (Qowiya, 2024). First introduced in Indonesia during its G20 presidency, gender-based taxation aims to provide additional incentives and benefits for women entering or re-entering the workforce (Kemenkeu, 2022). This policy framework is grounded in the idea that by explicitly reducing financial burdens faced by women, the government can encourage greater female labor force participation, which can lead to broader social and economic gains, including more substantial economic growth and increased household income stability. Moreover, gender-based tax initiatives in Indonesia are also intended to support a shift in cultural norms around gender roles while helping to foster a more equitable labor market where women can more freely contribute to and benefit from economic development (DDTC, 2023).

2.2 Previous Studies

A growing body of research highlights the need for gender-sensitive tax policies in Indonesia, emphasizing how such measures can bridge economic disparities between men and women. Naury and Haptari (2024) examine how various countries, including Singapore, the United States, and Nepal, have implemented progressive tax incentives that target women-owned businesses and provide caregiving support. Their study suggests that adopting similar policies could foster greater economic inclusivity for Indonesian women, particularly in supporting entrepreneurship and alleviating caregiving burdens traditionally borne by women.

Research by Johan (2024) delves into the income tax implications for female breadwinners in Indonesia, pointing out that the current tax system needs to account for women who are primary household earners adequately. Johan argues for introducing imputed income measures based on minimum wage levels and offering lower tax rates for working wives, positing that these changes could enhance women's financial autonomy while promoting gender equality within households. This study underscores the unique financial pressures on female breadwinners and highlights the potential for tax reform to address these inequalities.

Another critical area explored in recent studies is the impact of the “Pink Tax” on women’s purchasing power. Febriyanti and Yuwono (2023) provide empirical evidence on gender-based pricing, where products marketed toward women tend to be priced higher than those for men. Their research highlights the economic burden of this pricing phenomenon, suggesting that addressing the Pink Tax could significantly reduce gender-based financial discrimination in consumer markets.

Widodo et al. (2020) further examine the limitations of current tax policies in supporting women’s economic participation, particularly for those working in informal sectors. Their study highlights that tax deductions or incentives for working women are minimal, making it difficult for women to attain financial stability. The researchers argue for specific tax deductions targeting women in formal and informal roles, especially those who face unique challenges as single parents or primary caregivers, to promote gender-responsive tax structures.

These studies suggest a need for more inclusive tax policies in Indonesia, informed by successful international practices and sensitive to the unique economic challenges Indonesian women face. These findings offer a foundation for further exploration into how tax reform can advance gender equality within Indonesia’s financial framework.

3. RESEARCH METHOD

This study employs a normative juridical method to analyze relevant legal norms through an examination of legislation, legal literature, and official documents, building on previous studies by Widodo (2020), Yustisha (2023), and Qowiya (2024). Utilizing a literature review and secondary data analysis with a descriptive-qualitative approach, the research relies on secondary data due to limited access to primary data from policymakers. This analysis examines positive laws governing the latest tax policies, specifically Law No. 7 of 2021 on Harmonization and Tax Regulations, alongside other sources such as regulations and prior research published in the last 10 years to ensure relevance. Interpretations of these data are supported by theories from experts and comparative analyses of gender-based tax policies in Indonesia and other countries, focusing on three core areas: income tax policy, value-added tax policy, and collaborative approaches related to gender issues.

Documents were organized to form the basis for analysis using the following principles of content analysis introduced by Shilni, 2021: (a) *Thoroughness*: all sections related to gender-based taxation were considered, ensuring a comprehensive overview of relevant legal frameworks; (b) *Representativeness*: documents that specifically addressed the implications of taxation on gender equality were prioritized; (c) *Homogeneity*: only normative documents that discussed gender-related tax policies in Indonesia were included; and (d) *Pertinence*: the relevance of documents in addressing the objectives of this research on gender-based taxation was critically evaluated. The inclusion criteria for the documents reviewed comprised: 1) The most recent legal texts, regulations, and policies pertinent to gender-based taxation in Indonesia and 2) Studies or reports that provided insights into the impact of taxation on gender disparities. Excluded documents included 1) Materials that did not address taxation or gender-related issues and 2) Former publications that could not provide current context or relevance to the present analysis.

The documents reviewed were utilized to create the foundation of the analysis. Consequently, five laws were selected for inclusion, as detailed in Table 1.

Table 1. Documents included in the analysis

Law	About
Minister of Finance Regulation No. 168 of 2023	Implementation Guidelines for Withholding Tax on Income Related to Work, Services, or Activities of Individuals.
Government Regulation (PP) No. 58 of 2023	Rate of Withholding Tax Article 21 on Income Related to Work, Services, or Activities of Individual Taxpayers.
Law No. 7 of 2021	Harmonization and Tax Regulations
Law (UU) No. 42 of 2009	concerning the Third Amendment to Law No. 8 of 1983 on Value Added Tax on Goods and Services and Sales Tax on Luxury Goods
Law (UU) No. 36 of 2008	Concerning the Fourth Amendment to Law No. 7 of 1983 on Income Tax

4. RESULT AND DISCUSSION

The analysis is divided into two main sections: examining gender-based tax policies in various countries and analyzing Indonesian policies, including income tax and value-added tax (VAT) policies.

4.1 RESULT

4.1.1 Gender-Based Tax in Various Country

Gender-based taxation has become a significant policy tool addressing gender disparities in economic participation and income distribution. This approach leverages fiscal policies to correct market inefficiencies and promote gender equality by adjusting tax burdens based on gender-specific economic behaviours and needs (World Bank, 2024). Various countries have implemented gender-based tax reforms to mitigate implicit and explicit biases within their tax systems, fostering a more equitable economic environment (World Bank Blogs, 2022). For instance, progressive income tax policies favouring low-income women and subsidies for work-related expenses such as childcare have increased female labour force participation (WE Forum, 2022). These reforms are part of broader efforts to integrate gender equality into fiscal policy, demonstrating the potential of taxation as a tool for social change.

Table 2. Gender-Based Tax Policies in Various Countries

Country	Policy	Amount of Incentive	Impact
Singapore	i. The "Working Mother Child Relief (WMCR)" provides significant tax relief, offering up to 100% tax reduction for working mothers. ii. It improves financial well-being and encourages mothers to stay in the workforce.	i. Based on a mother's job ii. 1st child = 15% of mother income iii. 2nd child = 20% of mother income iv. 3rd and beyond = 25% of mother's income	i. The "WMCR" policy has been highly effective in improving the welfare of working mothers and keeping them active in the workforce.
Malaysia	i. Tax incentives for breastfeeding equipment and childcare expenses successfully boost female labour participation. ii. The "career comeback" tax exemption received positive responses.	Start from 1000RM-8000RM, depending on the child's age and disability.	i. Tax policies for working women, including "career comeback" incentives, effectively attract women back to the workforce.
Canada	i. Tax incentives for childcare expenses, particularly for children with special needs, support women's participation in the workforce without sacrificing family responsibilities.	i. Start from $8000-$5000, depending on the child's age and the disability.	i. The policy effectively supports women with children needing care, but public awareness and determining the right incentives remain challenging.
United Kingdom	i. "Working Tax Credit" and "Tax-Free Childcare" provide substantial financial relief, particularly for mothers working more than 30 hours per week or with children in care.	i. It depends on the woman's condition, starting from €210/week.	i. The policy effectively supports working mothers, but challenges remain, such as public awareness and proper implementation.

4.1.2 Indonesian Policy

In Indonesia, income tax policy (Pajak Penghasilan or PPh) operates under a progressive framework to achieve equitable tax distribution. The policy is rooted in Law No. 7/1983 on Income Tax and evolved over several legislative updates, most recently through Harmonized Tax Law (UU HPP) No. 7/2021, to adjust for economic shifts and global tax trends. The PPh encompasses various income sources for individuals and corporate entities, including wages, capital income, service income, interest, dividends, and income from property transfers. The structure of PPh categorizes taxes based on the type of income and the taxpayer's status. This classification ensures differentiated approaches, notably through distinct articles:

Table 3. Classification of Income Tax Policy

Income Tax	Explanation
Article 21	applies to employees' wages and salaries, and different considerations are given to specific groups, such as married women, who are subject to effective monthly rates under Category A if they earn income independently. If evidence shows that a spouse has no income, additional deductions for marital and dependent statuses apply.
Article 22	targets specific import and export activities imposed on state-owned enterprises and private corporations involved in these transactions. It acts to advance tax revenue on capital movements and large transactions.
Article 23	covers income from capital, services, or rewards beyond employment, such as dividends, royalties, and leasing revenue. It applies mainly to domestic companies engaged in specified service provisions, and tax rates vary depending on income type.
Article 26	applies to foreign entities with Indonesian-sourced income, ensuring taxation on income derived within Indonesia's jurisdiction by non-resident taxpayers.
Article 25	allows for monthly tax installments, helping taxpayers manage obligations progressively. This is particularly valuable for high-turnover businesses or variable-income earners, easing the annual tax burden
Final Income Tax (Article 4 (2))	represents taxes imposed on certain income types, such as interest from savings, lottery winnings, and property sales. These taxes are "final," meaning they are not recalculated in annual filings.

Regarding rates, Indonesia's PPh applies a progressive structure that adjusts tax rates based on income levels and taxpayer types. Notably, taxpayers without a Tax Identification Number (NPWP) are subject to a 20% surcharge on their applicable PPh rate.

Under Income Tax Article 21 (PPh 21), female employees who are married, or "*karyawati kawin*," are subject to specific withholding tax regulations according to Minister of Finance Regulation No. 168/2023 (PMK 168/2023). Their monthly gross income is taxed using the "effective tax rate" for Category A. This categorization typically assumes the Personal Exemption (Penghasilan Tidak Kena Pajak or PTKP) status of TK/0, which covers only the female employee's exemption without considering spousal or dependent exemptions unless certain conditions are met.

(1) Standard PTKP Application for Married Female Employees

By default, the tax withholding is calculated based solely on the personal exemption (TK/0) of the married female employee, even though she is married. This means that her tax liability does not automatically account for the marital status or any dependents unless her husband's income situation is documented otherwise.

(2) Additional PTKP Allowances for Dependents or Marital Status

In cases where the married female employee can provide a certification from the local district office verifying that her husband has no income, her PTKP status can be adjusted. This documentation allows her to claim additional PTKP amounts for being married (status K/0) and any dependents she supports (up to K/3 for three dependents). This exemption adjustment aims to reflect her family's financial responsibilities more accurately in her tax calculation.

(3) *Effective Tax Rate Categories for Married and Unmarried Statuses*
The effective tax rate (ETR) categories, introduced in Government Regulation No. 58/2023, specify monthly tax rates based on the PTKP classification explained in the table below.

Table 4. PTKP Categories

Category	Explanation
A	Applied to individuals with TK/0 (unmarried with no dependents), TK/1 (unmarried with one dependent), and K/0 (married with no dependents).
B	For those with TK/2 (unmarried with two dependents), TK/3 (unmarried with three dependents), K/1 (married with one dependent), and K/2 (married with two dependents).
C	Applied to individuals with K/3 status, representing married individuals with three dependents.

Indonesia's Value-Added Tax (VAT) policy, locally known as Pajak Pertambahan Nilai (PPN), is a vital component of the country's tax system, applying a consumption tax to transactions involving taxable goods and services. This policy is governed by critical regulations, including the recent Harmonized Tax Law (UU HPP) of 2021, which mandates that registered Taxable Entrepreneurs (Pengusaha Kena Pajak or PKP) collect VAT on taxable sales and services. Following a VAT rate increase from 10% to 11% in April 2022, another rise to 12% is planned for January 2025, underscoring the government's focus on strengthening tax revenues.

Indonesia's VAT system follows an input-output model. PKPs are responsible for issuing tax invoices and calculating output tax (VAT on sales) and input tax (VAT on purchases). The difference between these two amounts determines the VAT payable or refundable. If the output VAT surpasses the input VAT, PKPs remit the balance to the state. Conversely, if input VAT exceeds output VAT, the excess can be carried forward as a credit or requested as a refund at the end of the year, subject to certain conditions. This model supports VAT's efficient administration and prevents double taxation within the business supply chain.

The tax base, known as the Tax Imposition Basis *(Dasar Pengenaan Pajak* or DPP), varies according to transaction type and includes distinct structures depending on the nature of the transaction: (1) Domestic Sales: The tax base is typically the selling price for goods or services. (2) Imports: The tax base comprises the customs value plus applicable customs duties. (3) Exports: VAT is applied at a 0% rate, making these transactions exempt from VAT but allowing for input VAT credits. (4) Notable Transactions: The Minister of Finance may stipulate an alternative basis for particular goods or services, such as a specific value or percentage. This flexibility in the DPP ensures the VAT system can be adapted to accommodate various economic activities within Indonesia's diverse economy.

The scope of VAT in Indonesia is comprehensive, covering the sale and import of tangible goods, the utilization of intangible goods sourced from outside the country, the provision of taxable services, and the export of goods and services. However, non-PKPs do not collect VAT and, therefore, cannot claim credits on VAT paid for expenses, making VAT collection and credits exclusive to businesses formally registered with the government. This limitation is significant, as it places the VAT responsibility predominantly on registered companies and creates an additional compliance burden.

Despite the broad application of VAT, gender-based taxation (GBT), explicitly concerning VAT, still needs to be implemented in Indonesia. While there has been discussion about integrating GBT principles into tax policies, these ideas have yet to be adopted. VAT exemptions or reduced rates are applied mainly to essential commodities, health-related services, and a limited set of socially necessary items. However, these policies do not address the specific needs of women or products essential for infants, leaving certain gender-specific economic burdens, such as the "pink tax" on products marketed toward women, largely unaddressed. The absence of gender-sensitive VAT policies reflects an area where Indonesia's tax system could be expanded to better account for economic disparities affecting women.

4.2 DISCUSSION

The findings indicate a critical need for implementing Gender-Based Taxation (GBT) policies in Indonesia to address existing economic inequities. Therefore, this paper proposes the GLOW (Fiscal Inclusivity for Women) scheme as a comprehensive framework designed to mitigate gender disparities through targeted, inclusive tax measures.

The primary schemes proposed are an income tax policy and a value-added tax policy, as income tax is among the most commonly levied taxes on women. This scheme is divided into two policies in alignment with the Harmonization of Tax Regulations Law (Law No. 7 of 2021), currently in effect in Indonesia. A detailed explanation of these two proposed policy types follows.

4.2.1 GLOW Scheme 1: Tailored Tax Reduction for Women-Led MSMEs

The first component of the GLOW scheme is a targeted tax rate reduction for women-owned or women-led micro, small, and medium enterprises (MSMEs). Under the current taxation system, MSMEs are taxed at a fixed rate of 0.5% of their monthly turnover. This can be a significant financial burden for smaller or emerging businesses. The GLOW initiative proposes reducing this tax rate to 0.35%, thereby lowering the effective tax burden on qualifying women-led MSMEs.

To qualify for this reduced tax rate, MSMEs must meet specific criteria: They must register through an online notification on the DJP website, and the business must have a Taxpayer Identification Number (NPWP) under the female business owner's name. This requirement ensures that tax relief is effectively targeted, reducing barriers for women entrepreneurs and encouraging tax compliance among women-led businesses.

A detailed simulation of this reduction demonstrates the financial impact. For instance, a women-owned MSME with a monthly turnover of IDR 600,000,000 would see its income tax obligation reduced from IDR 3,000,000 (0.5%) to IDR 2,100,000 (0.35%) under the GLOW scheme. This reduction results in substantial cost savings that can be reinvested into business development, fostering growth, and expanding economic participation.

Table 5. Simulation for MSME Tax for Women

Simulation for MSME Tax for Women	Current Policy (Without Incentive)	GLOW Scheme (With Incentives)
Monthly Turnover	IDR 600,000,000	IDR 600,000,000
Tax Rate	0.5%	0.35%
Income Tax	IDR 600,000,000 x 0.5% = IDR 3,000,000	IDR 600,000,000 x 0.35% = IDR 2,100,000/

From the calculation with incentives above, the net income received by women-led MSMEs will be higher than the status quo. This increase results from a tax rate reduction from the current 0.5% to 0.35%, allowing these MSMEs to incur a lower tax obligation on the same monthly turnover. In the calculation simulation, with a monthly turnover of IDR 600,000,000, the tax liability under the non-incentivized scheme amounts to IDR 3,000,000. In contrast, the GLOW scheme reduces the payable tax to IDR 2,100,000. This difference indicates that the incentive within the GLOW scheme directly contributes to an increase in net income for women-led MSMEs.

4.2.2 GLOW Scheme 2: Income Tax Incentives for Female Employees

The GLOW initiative extends to female employees by offering a gender-responsive income tax reduction. This incentive is mainly aimed at women who are permanent employees under Article 21 of the Income Tax regulations. It takes inspiration from models in other countries, such as the working mother allowances in Singapore and capped tax deductions for mothers in Malaysia.

Under this scheme, eligible female employees—those registered with a Taxpayer Identification Number (NPWP) in their name—could apply for a reduction in their taxable income, potentially in the form of a standard deduction akin to office expenses, which would be deducted from their gross income before tax calculations. By decreasing taxable income, the scheme effectively increases women's take-home pay, offering additional financial support without altering gross salary structures.

For instance, a female employee with an annual income of IDR 70,000,000 who qualifies for a working mother incentive would significantly reduce her taxable income. This reduction could equate to 15% of her gross income (approximately IDR 10,500,000) for the first child in Singapore. Malaysia's model, on the other hand, offers a maximum deduction of IDR 10,000,000. These reductions lower taxable income and the resulting tax owed, leading to higher take-home pay.

Below is a comparative simulation illustrating potential scenarios for income tax reductions under different models and their effects on a female employee's take-home pay:

Components	Without Incentives	With Incentives	
	Indonesia Model	**Singapore Model**	**Malaysia Model**
Gross Income per year	70,000,000	70,000,000	70,000,000
Office Cost (5%)	3,500,000	3,500,000	3,500,000
Working Mother Incentive	-	10.500.000 *)	10.000.000 **)
Net Income	66,500,000	56,000,000	56,500,000
Non-taxable income (PTKP)	54,000,000	54,000,000	54,000,000
Taxable Income	12,500,000	2,000,000	2,500,000
Tax Rate	5%	5%	5%
Income Tax	**625,000**	**100,000**	**125,000**
Take Home Pay	**69,375,000**	**69,900,000**	**69,875,000**

Table 6. Simulation for Income Tax for Female Employees

Notes:
*) The amount of incentive for the first child in Singapore is 15% of Gross Income
*)) The amount of incentive for the first child in Malaysia is IDR10,000,000 (maximum limit)

Under the incentive scheme, the take-home pay received by female employees will be higher than the status quo. This increase is due to an additional income tax deduction for eligible female employees, which reduces their taxable income. In the calculation simulation, without the incentive, a female employee with an annual gross income of IDR 70,000,000 incurs a tax liability of IDR 625,000. However, with the GLOW scheme incentives, her tax liability decreases to IDR 100,000 or IDR 125,000, depending on the model applied. This reduction in tax obligation results in an enormous take-home pay, directly increasing the disposable income of female employees.

4.2.3 GLOW Scheme 3: Proposed Value-Added Tax (VAT) Policy

The proposed GLOW VAT scheme centres on redefining the VAT structure for specific goods heavily used by women. It aims to mitigate the financial disparities created by higher VAT rates or price markups on these items. To do this effectively, the scheme introduces tailored VAT exemptions, reduced VAT rates, and strategic zero-rating approaches for essential products.

(1) *Full VAT Exemptions for Essential Feminine and Personal Care Products*
The first component of this scheme is a VAT exemption on essential feminine products, particularly those linked to women's health and hygiene, such as menstrual products (pads, tampons, and other sanitary items). Under this exemption, these goods would be entirely free from VAT, effectively reducing consumer prices by the percentage typically charged (e.g., 10%). Exempting menstrual products from VAT acknowledges their essential role, lowering economic barriers that may limit access. The exemption also addresses the "tampon tax," which burdens women with additional costs for products required solely for managing menstrual health.

(2) *Reduced VAT Rates for Personal and Childcare Products*
In addition to VAT exemptions, the GLOW scheme proposes a VAT rate reduction on personal care products and childcare items, including deodorants, razors, diapers, baby formula, and other caregiving essentials. Although these products are not eligible for a complete exemption, their VAT rate would be lowered from the standard 10% to a proposed 5%. This adjustment recognizes these items' essential, high-frequency use, particularly for women and families, and aims to alleviate the accumulated financial impact without a complete VAT removal. This reduced VAT rate targets products necessary for daily self-care and childcare. Still, it has historically been marketed with a "pink tax" markup or viewed as non-essential luxuries, leading to higher consumer costs. By categorizing these products as semi-essential, the policy acknowledges their critical role in everyday life while making them more accessible to a broader demographic.

(3) *Zero-VAT Policy on Critical Women's Health Products*
Another integral part of the GLOW VAT policy is a proposed zero VAT rate on critical health-related products for women beyond hygiene goods, particularly products and services associated with maternal health. This includes prenatal vitamins, maternal supplements, and healthcare services essential for pregnancy and postpartum care. Under this model, these items would be classified as health necessities, making them entirely exempt from VAT. For example, a zero-VAT policy on prenatal vitamins and postnatal supplements supports maternal health by directly lowering associated healthcare costs. Recognizing these goods as necessary rather than optional acknowledges the need for accessible health support, allowing for a VAT framework that aligns with public health objectives.

(4) *Implementation Through a Tiered VAT Framework*
To effectively integrate these tax adjustments, the GLOW initiative envisions a tiered VAT framework that categorizes goods by necessity level, frequency of use, and consumer

demographic. This system would establish three main VAT categories under the GLOW scheme:

(a) *Category 1: Essential Goods (Full VAT Exemption)*
Products in this category, like menstrual hygiene products, receive a full VAT exemption, resulting in zero VAT charges to consumers.

(b) *Category 2: Semi-Essential Goods (Reduced VAT)*
Personal and childcare products used daily or frequently, such as deodorants, razors, diapers, and baby formula, fall under this reduced VAT category, which has a 5% rate instead of the usual 10%.

(c) *Category 3: Critical Health Products (Zero VAT)*
Essential maternal health products, such as prenatal vitamins, supplements, and postpartum care items, would have zero VAT, distinguishing them as necessary for public health.

Here is the simulation of the calculation. Suppose the applicable VAT rate is 10%. With a reduction to 5% or 0%, here are the price changes for some (standard) products:

Table 7. Simulation for VAT Policy

Products	**Original Price**	**Price plus 10% VAT**	**Price plus 5% VAT**	**Price plus 0% VAT**
Pads	IDR50.000	IDR55.000	IDR52.500	IDR50.000
Deodorant	IDR30.000	IDR33.000	IDR31.500	IDR30.000
Child Care Products	IDR200.000	IDR220.000	IDR210.000	IDR200.000

From the simulation, we can see that the lower the VAT rate imposed, the lower the amount paid by women, thus reducing their burden. Housewives can save some of their remaining take-home pay to save for future needs.

4.2.4 Collaboration with Renjani Volunteer

Underscoring an intensified collaboration between the Directorate General of Taxes (DGT) and Renjani to effectively implement and socialize the GLOW program while fostering public familiarity with Gender-Based Taxation (GBT). As the principal authority in tax administration and policy development, DGT is pivotal in designing tax regulations that address gender disparities. This partnership framework includes a series of coordinated initiatives, such as deploying resources on the DGT website, conducting targeted social media campaigns, organising online webinars, and holding in-person seminars. These efforts are undertaken jointly with *Relawan Pajak untuk Negeri* (Renjani), a volunteer network of youth and students, which aims to support DGT's objectives by promoting progressive tax policies across Indonesia.

Renjani volunteers are envisioned in this collaboration as essential outreach agents, particularly in communities where tax awareness and understanding of gender-responsive tax policies may be limited. By engaging directly with women and other critical stakeholders, Renjani's network helps demystify the GLOW scheme, enhancing accessibility and facilitating a comprehensive understanding of the practical implications of a gender-inclusive tax framework. This strategic partnership model seeks to increase public awareness and cultivate long-term public support for GBT, fostering a societal shift towards equitable tax practices.

The collaboration ultimately seeks to build an informed public who can recognize and support gender-responsive taxation, thus amplifying the GLOW scheme's outreach and efficacy. The partnership's structured approach aligns with broader objectives of normative research in policy-making, where evidence-based tax reforms are integrated to meet equity goals, specifically in reducing gender-based economic disparities.

5. CONCLUSION

The GLOW (Gender-Leading Opportunities for Women) tax policy framework aims to address the gender wage gap and economic disparities in Indonesia. The research highlights that gender inequality, particularly in wages, is a persistent issue. The GLOW framework proposes several strategic initiatives, such as tax reductions for women-owned micro, small, and medium enterprises (MSMEs), incentives for female employees, and VAT exemptions on essential products for women. These policies have the potential to empower women financially and promote gender equality, aligning with the goals of Sustainable Development Goal 5 (SDG 5). The study also compares similar policies in other countries, finding that such tax reforms can significantly boost female labor force participation and support women's economic empowerment. The GLOW scheme, therefore, presents a viable solution to reducing gender inequality and fostering inclusive economic growth in Indonesia.

Each proposed scheme within GLOW has specific impacts. The tax reduction for women-led MSMEs eases the financial burden, enabling reinvestment and business growth. The income tax incentives for female employees increase take-home pay, encouraging higher workforce participation. Finally, VAT exemptions on essential products for women reduce daily living costs, making basic goods more accessible and alleviating the financial pressure women face. Together, these policies create a holistic approach to addressing gender inequality while promoting economic independence for women in Indonesia.

This research center has several notable limitations that should be acknowledged. First, there are empirical data constraints, as insights derived from normative juridical perspectives may only partially capture the diverse viewpoints of some relevant stakeholders. This limitation could lead to a bias towards particular views while neglecting others. Additionally, access to comprehensive international data on gender-based tax policies may be limited, which affects the completeness and depth of the comparative analysis undertaken in this study.

From a methodological standpoint, while normative juridical approaches provide a robust theoretical framework, they are conceptual and may not adequately reflect the complexities of policy implementation in practice. Furthermore, interactive analyses conducted through focus group discussions (FGDs) are inherently susceptible to participant perception bias, which could impact the reliability and validity of the findings presented.

Moreover, the scope of this paper’s analysis is restricted to Income Tax (PPh) and Value-Added Tax (VAT), leaving out other types of taxes that also play a significant role in influencing gender-based economic disparities. Although concentrating on PPh and VAT enables the formulation of targeted recommendations within these critical areas, this narrow focus may overlook broader effects that other tax types, such as property tax, luxury tax, and customs duties, could have on gender equality. Therefore, the findings may not fully encapsulate the comprehensive adjustments necessary across Indonesia’s entire tax system to address gender disparities effectively. Considering these limitations when interpreting the results and formulating future policy recommendations is crucial.

To advance gender equity in Indonesia, a strategic focus on women-owned micro, small, and medium enterprises (MSMEs), incentivizing female workforce participation, and providing tax relief on essential products is essential. These initiatives align with Sustainable Development Goal 5's broader objectives, which emphasise gender equality. By implementing the GLOW scheme, Indonesia can take a significant step towards fostering economic growth and social inclusion. Empowering women in the workforce contributes to financial independence and promotes a more balanced and equitable society.

For the successful execution of the GLOW scheme, the government should prioritize refining its design based on empirical data and stakeholder feedback. This refinement should focus on creating comprehensive and inclusive strategies that enhance the effectiveness of gender-responsive tax policies. Raising public awareness about the benefits and availability of these tax incentives is crucial; targeted outreach programs for female entrepreneurs and employees can encourage broader participation. Such initiatives will help ensure that the intended beneficiaries are informed and motivated to engage with the scheme actively.

Moreover, a robust monitoring system is vital for evaluating the scheme's effectiveness. This system should incorporate continuous feedback from key stakeholders, including women-owned businesses, policymakers, and civil society organizations, to ensure the policies remain relevant and effective over time. Future research should involve diverse stakeholders and conduct comparative analyses of international tax frameworks. This approach will provide deeper insights into best practices and challenges related to gender-based taxation in Indonesia, ultimately contributing to more informed policy decisions and improved outcomes for women in the economy.

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