

Free the Period? Evaluating Tampon Tax Reforms in the European Union

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- Tax on menstrual hygiene products is a gender discriminating tax burden
- Tax reforms offer economical and effective way to address period poverty
- Tax cuts on menstrual hygiene products lower prices persistently

Setting

About half of the world's population menstruates 450 times throughout their lifetime, relying on menstrual hygiene products (MHPs) each month. Unlike other consumption goods, MHPs are required to maintain active participation in society. However, many menstruating people do not have sufficient access to MHPs in order to ensure safe and healthy menstrual hygiene management¹ resulting in so-called period poverty². As MHPs are a necessity for menstruating people, they are disproportionately affected by the tax imposed on such products³. Reducing this tax burden can alleviate issues related to period poverty by (i) reducing the price of MHPs and consequently (ii) increase accessibility of MHPs, particularly for users at the bottom of the income distribution⁴.

The EU's commitment to gender budgeting highlights the importance of this topic even in developed economies. However, research on the impact of tax reductions for MHPs is scarce and narrow in scope. The academic literature evaluating such reforms is limited to the U.S.⁵ and Germany⁶. Our project evaluates tax reforms for MHPs in Europe including Austria, Belgium, France, Germany, Poland and the United Kingdom. Our findings contribute to policy discussions on the efficacy of tax instruments for the institution of gender equality.

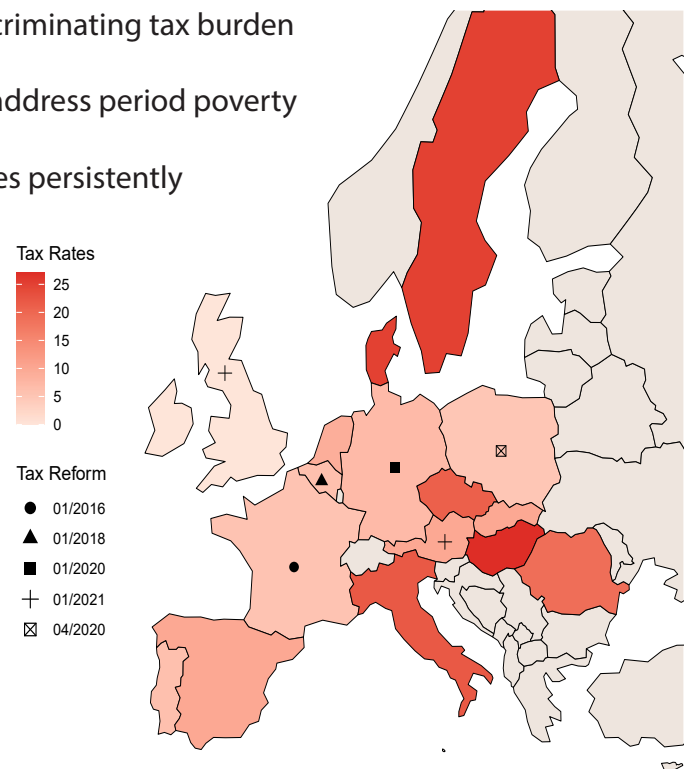


Figure 1: Current VAT Rates imposed on menstrual hygiene products across Europe (including countries of estimation sample)

Research Approach

We evaluate the impact of tax reforms on MHPs on prices and quantity demanded by leveraging transaction based household scanner data for 17 European countries⁷ provided by AiMark (Figure 1). We pay close attention to the benefits generated for consumers by assessing how much of the tax reduction is passed on to consumers. We answer these questions by applying well-established statistical methods and identify these effects by exploiting variation in the timing of reforms and between countries.

1 UNICEF, 2020
2 Babbar et al., 2022; Rossouw and Ross, 2021
3 Crawford and Waldman, 2018
4 Bennet, 2017; Crawford and Spivack, 2017
5 Cotropia and Rozema, 2018
6 Frey and Haucap, 2022

7 Countries included are Austria, Belgium, Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, The Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United Kingdom

Research results

- In the short-run prices decrease (on average) by 3-5% after tax-reductions and 6-8% in the long-run (Figure 2)
- On average 41% of the VAT-reduction is passed on to consumers in the short-run
- Long-run pass-through for low-income households is stronger than for other households
- No strong effects of the tax change on purchase volume
- Larger tax reductions lead to greater price reductions
- Heterogeneous price and quantity responses across countries

Policy implications

- VAT-cuts on MHPs are effective in reducing financial burden of menstruating individuals
- VAT cuts are economical and easy to implement
- Tax reforms can be accompanied by provision of free products in public restrooms in schools, universities, public buildings etc.
- Changes in the tax rate stimulate public discussion and contribute to destigmatisation

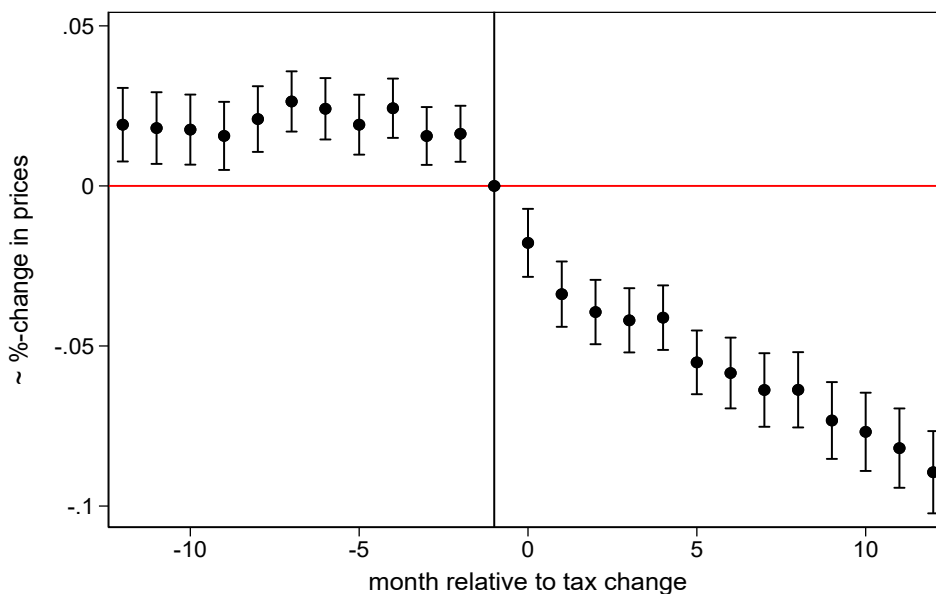


Figure 2: Average price differences between reform and non-reform countries in months relative to the reform

Reducing VAT-rates on menstrual hygiene products leads to a persistent reduction in prices

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