

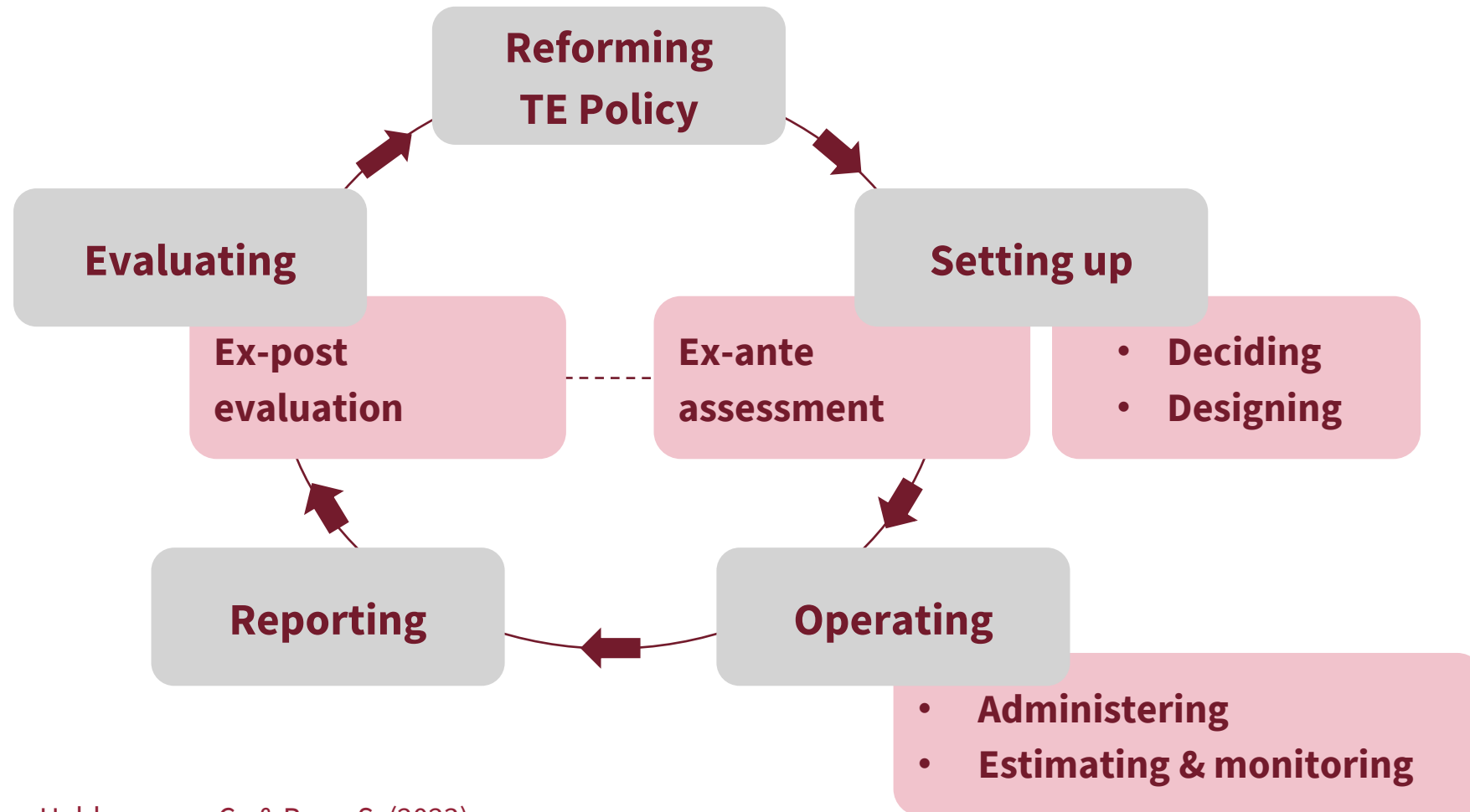
Follow-up Technical Meeting on Tax Expenditures
Dar es Salaam, 6-8 December 2023



Governing TE regimes – some takeaways from the workshop

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The Tax Expenditure Policy Cycle



Source: Redonda, A., von Haldenwang, C., & Berg, S. (2023)

Setting up TEs

- Conflicting interests in setting up / maintaining TEs
- Discretionary tax waivers granted by multiple actors → give MoF the responsibility to technically assess and approve new TEs (or modifications of existing TEs); strengthen the role of parliament in the process
- No clear benchmark system in place upon which TEs are granted → work on benchmark definition based on clear criteria
- Timing of TEs: often “last forever” → sunset clause & evaluation requirement as default option
- Design of TEs: Documentation requirements (by taxpayers) in line with data requirements

Operating TEs

- Complexity and frequent changes of tax and TE regimes pose challenges to tax administration
- Estimation of revenue forgone → support from regional and subregional initiatives (ATAF, SADC, ECOWAS, etc.) or international actors (IMF, GIZ, etc.)
- Capacity to monitor the take-up of TEs and manage data continuously
→ role of MoF and revenue authority, collaborative relationship between both
- Communication between revenue authority and taxpayers; taxpayer education to address non-filing and under- / misreporting
- Digitalisation to facilitate administration, monitoring and compliance, e.g. risk-based auditing

Reporting on TEs

- No reporting to parliament, or report not made public → requirement by law
- Benchmarking determines the scope of reporting: For instance, provisions contained in bilateral tax agreements? Structural reliefs?
- Limited data availability can be a real issue – or an excuse, sometimes!

Evaluating TEs

- TEs implemented without ex-ante assessment, due to time pressure or political interference
→ technical approval of proposal as a requirement (but capacity?)
- No (or incomplete) reporting leads to more challenges with regard to TE evaluation
→ joint evaluation framework (integrating both, ex-ante assessments and ex-post evaluations)
- Pressure on governments to “rationalise” the use of TEs, but insufficient data for evaluation → think about data requirements from the beginning (set-up of TEs); organise data sharing between different government bodies; start with “lean” evaluations of few (big) TEs
- Academic timelines do not necessarily match political timelines! → Medium-term evaluation schedule increases predictability of the process

Reforming TEs

- Resistance by parliament & other powerful actors to dismantle individual TEs, but growing awareness of the relevance to push reforms → close communication between MoF / RA and parliament, continuous flow of information, strengthen oversight capacities of parliament
- Strategic partnerships with domestic and international actors to overcome deadlocks; public consultations, expert hearings
- Reach out to stakeholders early on in the process – hopefully in a transparent way!
- Big push or piecemeal (incremental) approach? Are there “low-hanging fruits”?

Overarching issues

- **Data** lacking, incomplete or not reliable → national strategy to strengthen statistics offices; organise data sharing between authorities; revise tax return forms; monitor data quality (under- & misreporting); employ tools provided by ATAF, etc.; use advanced data analytics
- **Capacity** lacking & brain drain → build capacity in revenue authorities, ministries & parliaments; improve employment conditions to keep capacity; partnering with academia and private sector; contracting out
- **Communication** → establish continuous and fluid communication channels with other governmental agencies and parliament; public disclosure of TE reports, but also bilateral agreements and contracts with economic actors



Thank you!