



REPUBLIKAN'I MADAGASIKARA  
Fitievana - Tanindrazana - Fandrosoana

MINISTRE DE L'ECONOMIE ET DES FINANCES

# RECENT DEVELOPMENTS ON TAX EXPENDITURES

*MADAGASCAR*

**DECEMBER 06-07-08, 2023**



# REMINDER

- TE Estimation has been conducted since the 2015 Fiscal Year
- Extract of TE Report in every annual Budget Law.



# I. RELEVANT POINTS SINCE THE LAST MEETING IN 2022 (1/3) :

- Availability of the main report on the MoF website.
- Spreading the estimation not only the Income Tax and Consumption Taxes (VAT, Customs and Excise Duty) but to local taxes such as property taxes.
- Regarding Revenue foregone assessment on Income Tax, the MoF has used a SADC Model for Personal Income and Corporate TEs (CIT and PIT) as it has been agreed with the SADC Member States. This was a new step since this year.



# I. RELEVANT POINTS SINCE THE LAST MEETING IN 2022 (2/3):

- Rationalization of Tax incentives :
- ✓ Improvement of the informations included in the TE Matrix which listed all the granted tax incentives (to follow up and check in the pertinent information) ;
- ✓ Many tax expenditures are implemented as a result of requests from other departments or entities and are not subject to a thorough cost benefit analysis by MoF.
- =>Implementation of Tool to review existing incentives in the context of the budget development process (Ex post Assessment) through Cost Benefit and Efficiency Analysis or forecast the impact of the granted tax incentives (Ex Ante Assessment)

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# I. RELEVANT POINTS SINCE THE LAST MEETING IN 2022 (3/3) :

- Technical Approval of proposals are required when new TEs are introduced.
- The MoF has to assess the proposals and evaluate the impacts and effects of the proposed measures.
- ✓ Statement of motives or policy objectives are compulsory in the requirement and Ex -ante and Ex post assessment (Revenue forgone estimation, cost benefits and behaviour analysis) are conditions to maintain existing TEs



## II. RECENT ESTIMATIONS (1/4):

| <b>Tax</b>            | <b>TE<br/>Amount<br/>2022<br/>(Billions<br/>MGA)</b> | <b>Ratio</b> | <b>Ratio TE to<br/>GDP</b> |
|-----------------------|--|--------------|----------------------------|
| <b>Excise duty</b>    | 6,05   | 0,30%        | 0,01%                      |
| <b>Customs Duty</b>   | 770,03   | 38,50%       | 1,22%                      |
| <b>CIT</b>            | 155,16   | 7,76%        | 0,25%                      |
| <b>PIT</b>            | 4,34   | 0,22%        | 0,01%                      |
| <b>VAT</b>            | 1 064,44   | 53,22%       | 1,69%                      |
| <b>General Amount</b> | 2 000,02   | 100,00%      | 3,18%                      |



# II. RECENT ESTIMATIONS (2/4):

| Tax/Incentive Measures/Beneficiary  | TE Amount 2022        | Ratio                | Ratio TE to GDP     |
|---|-----------------------|----------------------|---------------------|
| <b><u>Excise Duty</u></b>   | <b><u>6,052</u></b>   | <b><u>0,31%</u></b>  | <b><u>0,01%</u></b> |
| <b>Exemption</b>  | <b>6,052</b>          | <b>0,31%</b>         | <b>0,01%</b>        |
| Health and scientific establishments  | 4,526                 | 0,23%                | 0,01%               |
| Households, Companies   | 1,526                 | 0,08%                | 0,00%               |
| <b><u>Customs Duty</u></b>  | <b><u>770,032</u></b> | <b><u>38,50%</u></b> | <b><u>1,22%</u></b> |
| <b>Exemption</b>  | <b>758,892</b>        | <b>37,95%</b>        | <b>1,10%</b>        |
| Others (Ministry Council, Beneficiaries recognized as being of public utility etc...) | 67,923                | 3,41%                | 0,01%               |
| Foreign institutions  | 0,013                 | 0,0010%              | 0,0000%             |
| Local Administrations   | 0,024                 | 0,001%               | 0,000%              |
| Special Regime (Mining, Free Trade Zone)  | 178,437               | 8,92%                | 0,28%               |
| Health and scientific establishments  | 0,789                 | 0,04%                | 0,00%               |
| Foreign Technical Cooperation   | 2,384                 | 0,12%                | 0,00%               |
| Foreign NGOs  | 0,727                 | 0,04%                | 0,00%               |
| Import, Companies, Households   | 508,456               | 0,2542               | 0,0081              |
| Technical Ministries  | 0,138                 | 0,00007              | 0,000002            |
| <b>Excess Rate</b>  | <b>-0,270</b>         | <b>-0,01%</b>        | <b>0,00%</b>        |
| Special Regime (Mining, Free Trade Zone)  | -0,270                | -0,01%               | 0,00%               |
| Reduced Rate  | 11,411                | 0,57%                | 0,02%               |
| Special Regime (Mining, Free Trade Zone)  | 11,411                | 0,57%                | 0,01%               |

## II. RECENT ESTIMATIONS (3/4):

| Tax/Incentive Measures/Beneficiary | TE Amount 2022        | Ratio               | Ratio TE to GDP     |
|------------------------------------|-----------------------|---------------------|---------------------|
| <b><u>CIT</u></b>                  | <b><u>155,162</u></b> | <b><u>7,76%</u></b> | <b><u>0,25%</u></b> |
| <b>Deduction</b>                   | <b>8,417</b>          | <b>0,42%</b>        | <b>0,01%</b>        |
| Companies                          | 8,417                 | 0,42%               | 0,01%               |
| <b>Exemption</b>                   | <b>4,093</b>          | <b>0,20%</b>        | <b>0,01%</b>        |
| Religious Entity                   | 4,093                 | 0,20%               | 0,01%               |
| <b>Tax Reduction</b>               | <b>93,326</b>         | <b>4,67%</b>        | <b>0,15%</b>        |
| Mining Companies                   | 93,326                | 4,67%               | 0,15%               |
| <b>Maximal Rate</b>                | <b>35,319</b>         | <b>1,77%</b>        | <b>0,06%</b>        |
| Tax Convention                     | 35,319                | 1,77%               | 0,06%               |
| <b>Reduced Rate</b>                | <b>14,008</b>         | <b>0,70%</b>        | <b>0,02%</b>        |
| Mining Companies                   | 14,008                | 0,70%               | 0,02%               |
| <b><u>PIT</u></b>                  | <b><u>4,336</u></b>   | <b><u>0,22%</u></b> | <b><u>0,01%</u></b> |
| <b>Reduced Rate</b>                | <b>4,336</b>          | <b>0,22%</b>        | <b>0,01%</b>        |
| Individual                         | 4,336                 | 0,22%               | 0,01%               |





# II. RECENT ESTIMATIONS (4/4):

| Tax/Incentive Measures/Beneficiary | TE Amount 2022          | Ratio                | Ratio TE to GDP     |
|------------------------------------|-------------------------|----------------------|---------------------|
| <b><u>VAT</u></b>                  | <b><u>1 064,437</u></b> | <b><u>53,22%</u></b> | <b><u>1,69%</u></b> |
| <b>Exemption</b>                   | <b>1 038,472</b>        | <b>50,79%</b>        | <b>1,61%</b>        |
| Foreign Technical Cooperation      | 5,028                   | 0,25%                | 0,01%               |
| Financial Institutions             | 106,142                 | 5,31%                | 0,17%               |
| Companies                          | 34,531                  | 1,73%                | 0,06%               |
| Public Entities                    | 1,049                   | 0,05%                | 0,00%               |
| Households                         | 54,258                  | 2,71%                | 0,09%               |
| Households, Companies              | 837,465                 | 41,87%               | 1,33%               |
| <b>Reduced Rate</b>                | <b>25,965</b>           | <b>1,30%</b>         | <b>0,04%</b>        |
| Households, Companies              | 25,965                  | 1,30%                | 0,04%               |
| <b>Total Amount</b>                | <b>2 000,019</b>        | <b>100,00%</b>       | <b>3,18%</b>        |



## II. CURRENT CHALLENGES

- Difficulties to have access to some specific data
- Unrespect of the requirement of the decree approved in 2023 (<https://cnlegis.gov.mg>)

