ATI Follow-up Technical Meeting, Ghana

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GTED Global Tax Expenditures Database

Pocket Guide on Tax Expenditures for Parliamentarians

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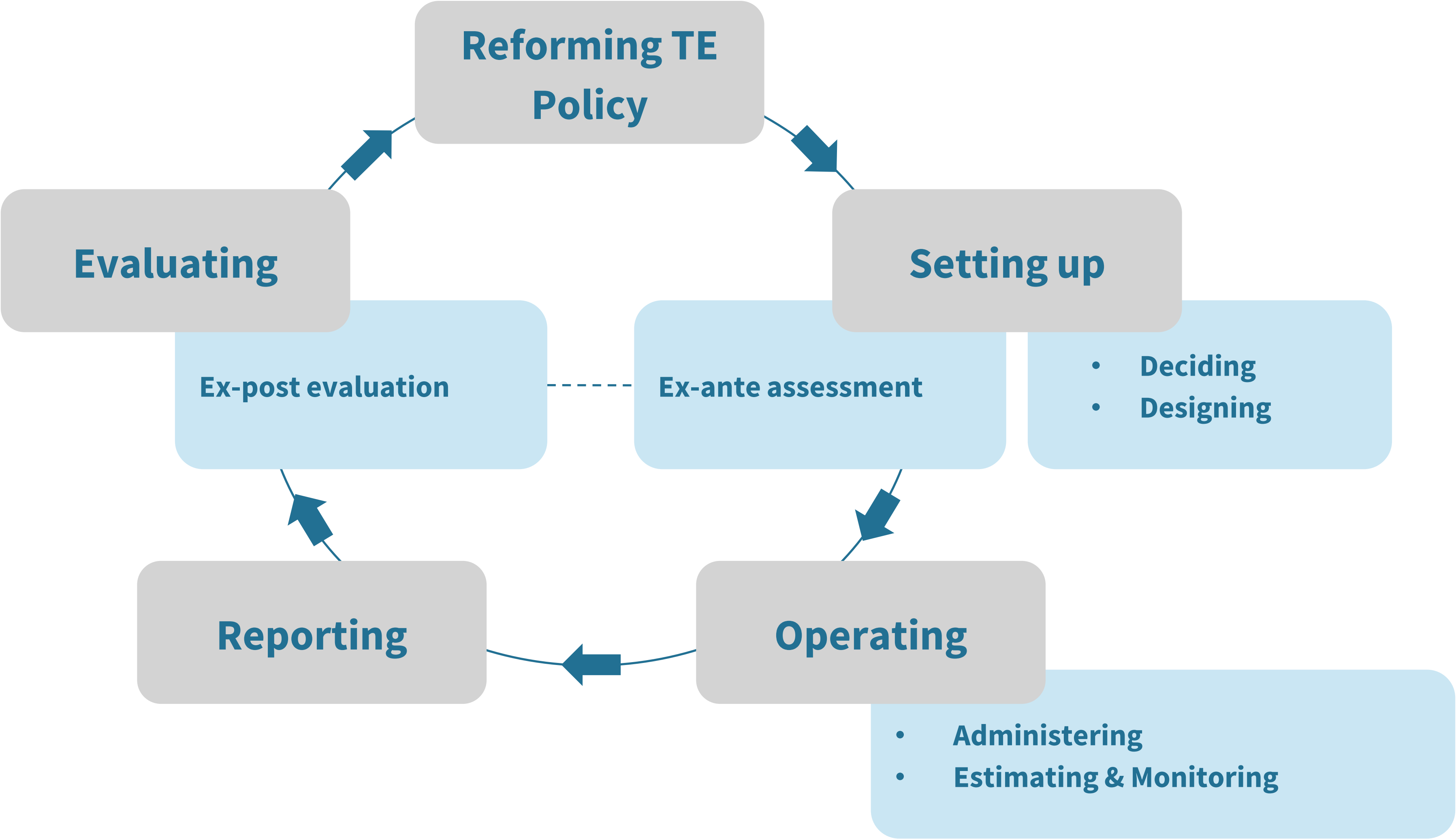
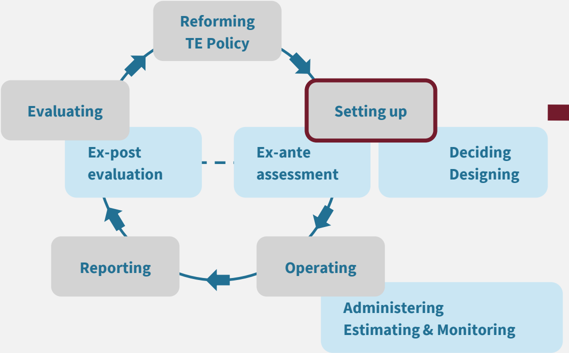
GTED Global Tax Expenditures Database

CEP council on economic policies

The TE Policy Cycle





Setting up

Who decides?

A custodian for TEs is important and should be aligned with the ministry in charge of the overall fiscal policy.

The role of the legislature or Parliament is vital in the approval, modification, and elimination of TEs.

On what?

Introduction of new TEs.

Prorogation of existing TEs.

Adjustments to (or dismantling of) existing TEs.

How is the system organised?

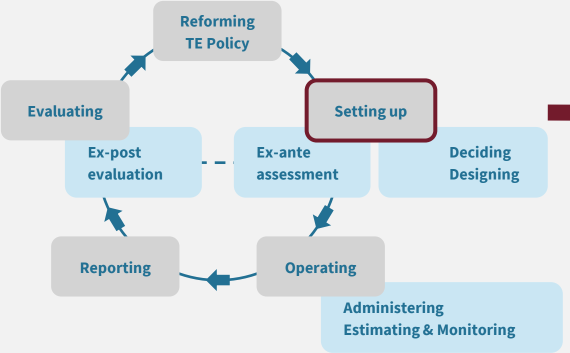
Role of fiscal policy institution: Oversight and coordination (not solely technical approval of proposals).

Role of Parliament: Approval of TEs as part of the budget process.

Other government agencies: Part of structures coordinated by the fiscal policy institution.

What is the legal framework?

Consolidation of all provisions in the tax law, including individual laws on taxes and fiscal responsibility together with executive decrees on new TEs and for prorogation/extension of existing TEs. Ex-ante assessments should be established as a prerequisite for the approval of new TE provisions.

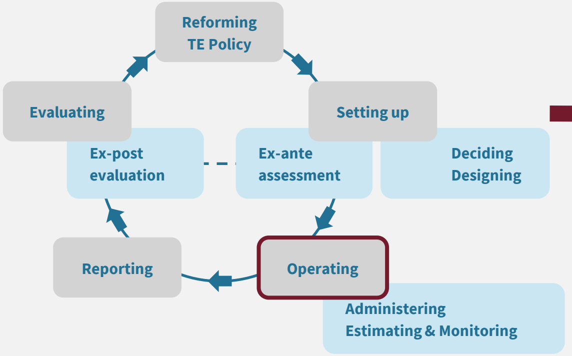


Setting up

Before a TE can have the force of law, the following should be required:

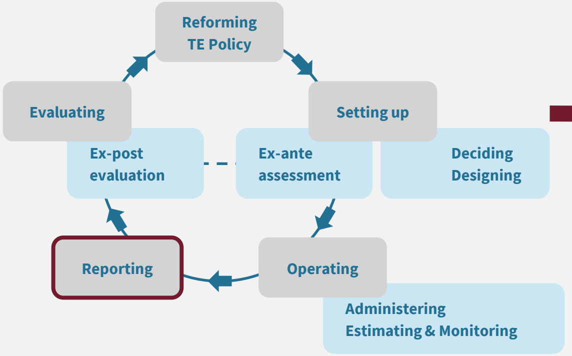
I. That the government authority demonstrates how the tax expenditures are **in line with national development plans/ national policies**

II. That the government authority has carried out an **ex-ante assessment** which is often termed as an impact assessment in legislation. The ex-ante assessment should also be established as a prerequisite within the legal framework.



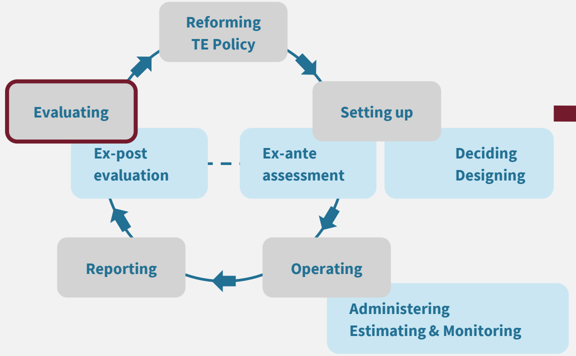
Operating

- The everyday management of TEs, covering the administration as well as estimation and monitoring. TEs can significantly differ regarding their administrative burden, compliance costs and monitoring requirements
- Administering TEs typically requires **cooperation** and **coordination** among government agencies
  - → Many actors with competencies can result in **rising transactions costs of operating** → setting up a **governance framework** that establishes clear responsibilities and reporting requirements is important!
- Auditing compliance is important since many TEs have a low compliance rate because of minimal auditing requirement compared to direct spending. Parliamentary oversight of tax administration of TEs could be important in ensuring sufficient tax administration resources.



Reporting

Coverage	
☐	Report covers the entire TE regime.
☐	The benchmark tax system employed to prepare the report is transparent.
☐	Structural reliefs/deviations are disclosed.
Granularity and Comprehensiveness	
☐	Report provides information on individual TE provisions.
☐	The revenue forgone from each TE provision is reported individually.
☐	The tax type of each TE provision is clear.
☐	The TE type for each TE provision is clear.
☐	The intended beneficiaries of each TE provision are disclosed.
☐	The policy goal of each TE provision is disclosed.
☐	The timeframe of each TE provision is clear.
☐	The legal reference of each TE provision is clear.
Timeline	
☐	National Assembly receives the TE report yearly, together with the budget proposal.



Evaluating

Evaluation Framework

Ex-ante

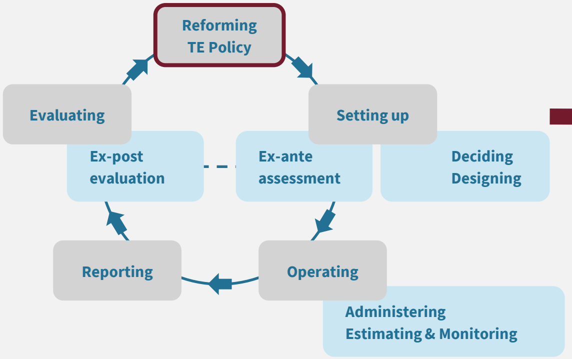
An ex-ante assessment framework should require the following for each provision:

1. Establish the **policy objectives** of the provision to be introduced.
2. Identify the relevant **performance indicator(s)** and quantify the foreseen benefits of the TE in relation to its foreseen cost (revenue forgone forecasts).
3. Discuss and explore the potential **externalities** the TE may trigger.
4. Set-up protocols to collect necessary **data** to make ex-post evaluations possible.
5. Discuss the **timeframe** of the proposed TE(s) (e.g., a sunset-clause).
6. Explain why implementing the TE is more desirable than implementing a **direct subsidy**.

Ex-post

An ex-post evaluation framework should at a minimum:

1. Require the evaluation of the **benefits** of TE provisions **in relation to their costs**.
2. Require an estimation of any potential **externalities** the TE may have triggered (including, e.g., distributional impact, spillover effects, environmental impact).
3. Determine the **criteria for evaluations** including, at least, the size (e.g. all TE provisions or the 10 largest ones) and frequency of evaluations (e.g. every 3 or 5 years).
4. Define processes to **implement evaluation results** (i.e. how to treat negatively-evaluated TEs).



Reforming TE Policy

Parliaments should be properly informed about the use of TEs, and should be provided:

- Regular and comprehensive data in the context of annual TE reports
- The TE reports should be linked to the budget process

TEs do not occur in a political vacuum. They are the outcome of political deliberations taking place in public but also bhind closed doors → Parliaments are the main place where the public debates on the use of TEs should be staged.

Thank you for listening!

Contact:

- Email: sb@cepweb.org

What is the experience in your country? What information on TEs are lacking in the policy decision-making process?

Quelle est l'expérience de votre pays? Quelles sont les informations sur les technologies de l'information qui font défaut dans le processus de prise de décision politique?

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Quels sont les plus grands défis liés aux données pour l’estimation et l’évaluation des dépenses fiscales dans votre pays ?

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