

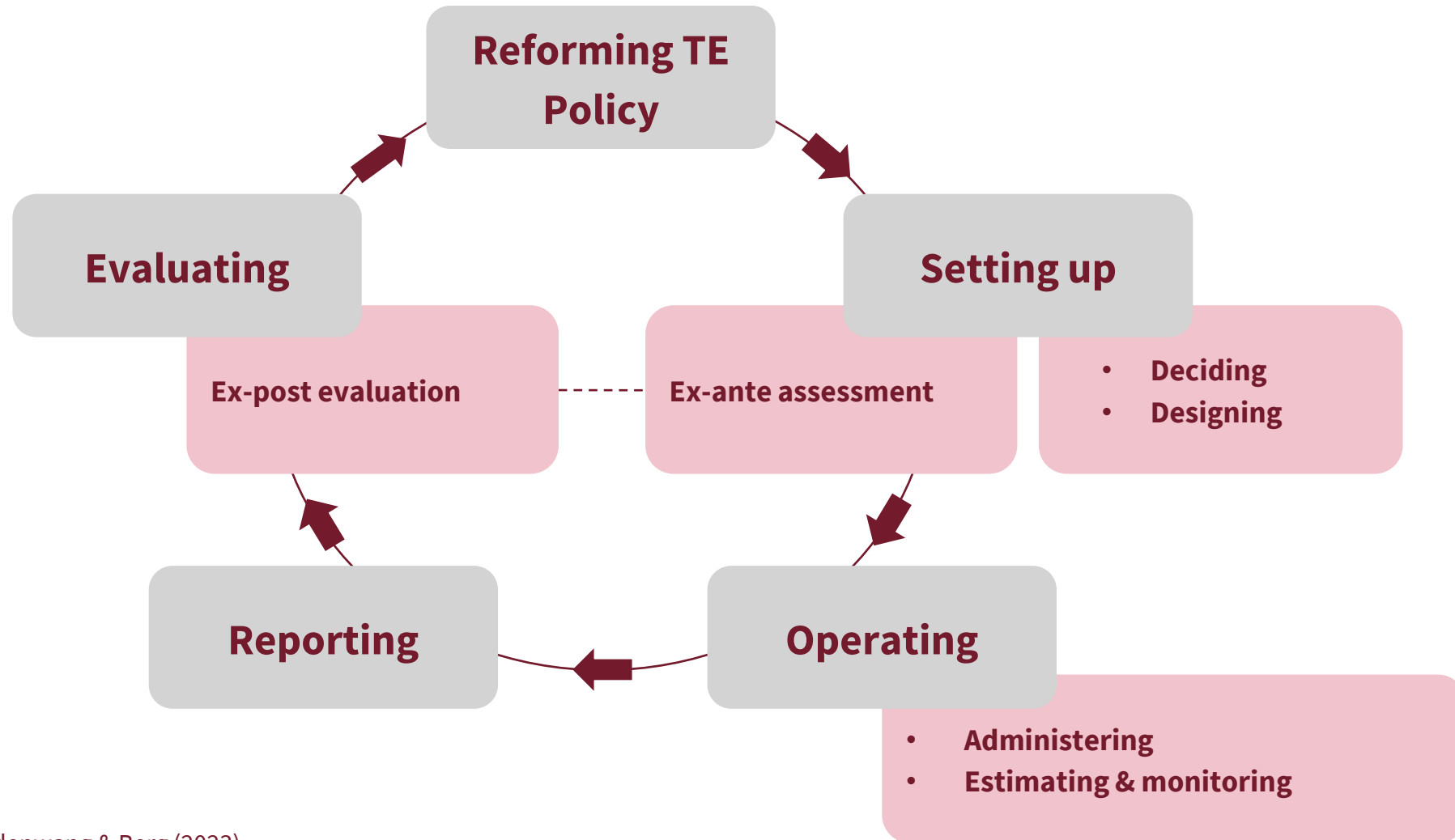
Follow-up Technical Meeting on Tax Expenditures
Dar es Salaam, 6-8 December 2023



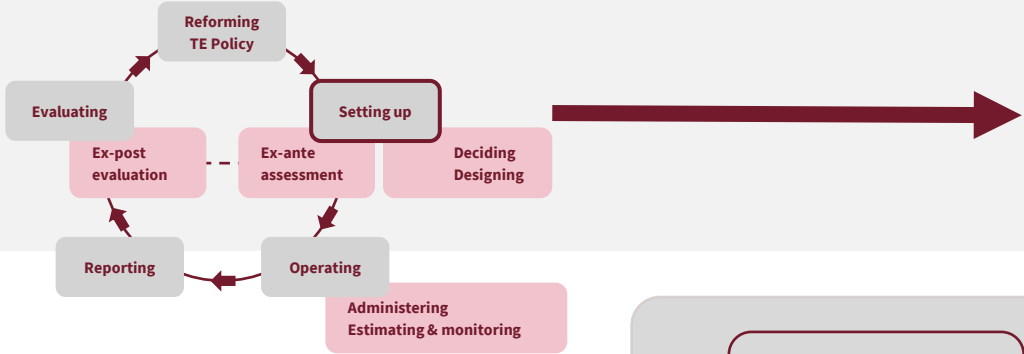
Pocket Guide on Tax Expenditures for Parliamentarians

Sofia Berg

The TE Policy Cycle



Source: [Redonda, von Haldenwang & Berg \(2023\)](#)



Setting up

<h3>Who decides?</h3>	<h3>On what?</h3>	<h3>How is the system organised?</h3>	<h3>What is the legal framework?</h3>
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A **custodian** for TEs is crucial and should be **aligned with the ministry in charge of the overall fiscal policy.**

The role of the parliament is vital in the **de-bate, approval, modification, and elimination** of TEs.

Introduction of new TEs.

Prorogation of existing TEs.

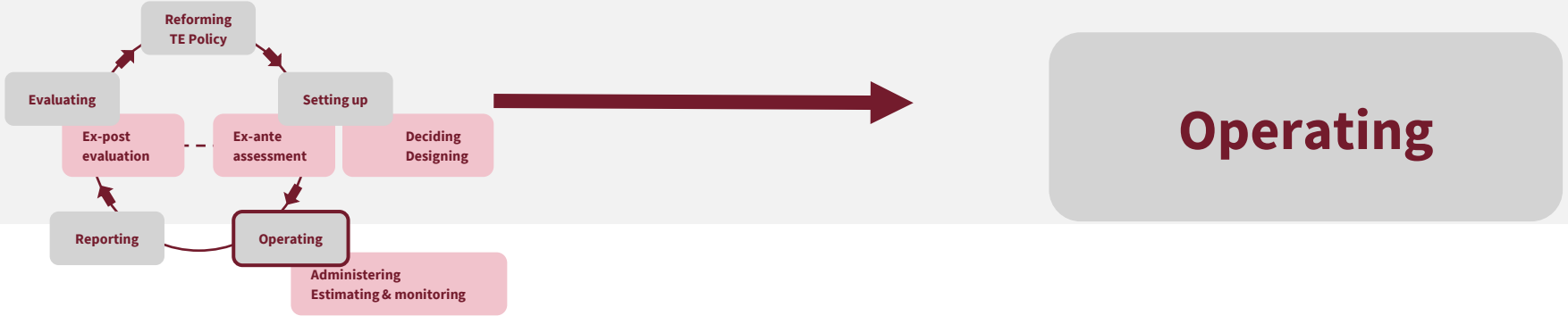
Adjustments to (or dismantling of) existing TEs.

Role of fiscal policy institution: Fiscal oversight and coordination.

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

Other public entities: Provide relevant data and information.

Consolidation of all provisions in the tax law, including individual laws on taxes and fiscal responsibility. Ex-ante assessments should be established as a pre-requisite for the approval of new TE provisions.

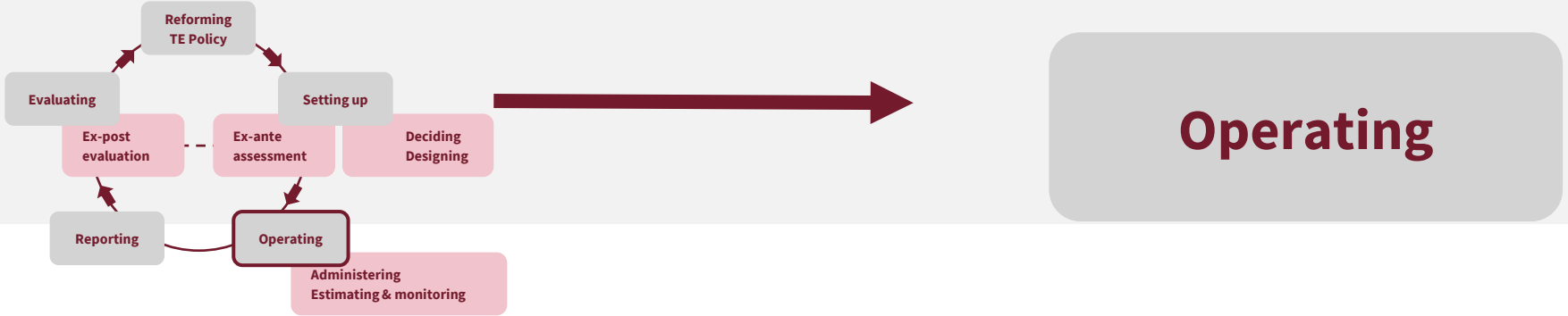


Operating

Administering

Estimating

Monitoring



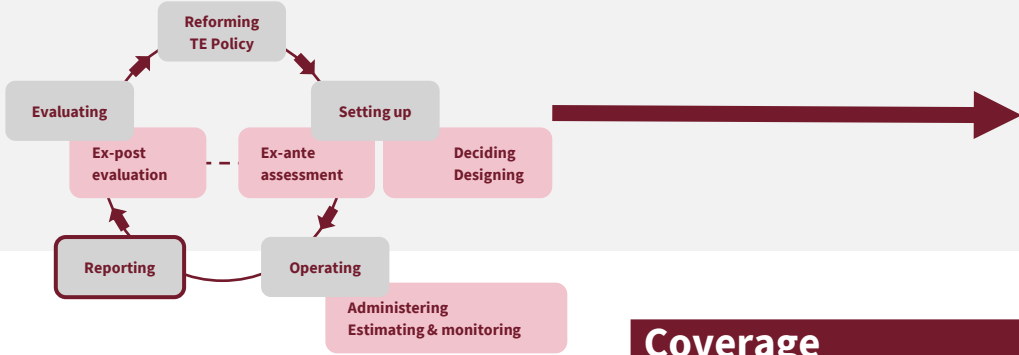
Audit Office

Parliament

Ministry of Finance

Revenue Authority

Other



Reporting

Coverage

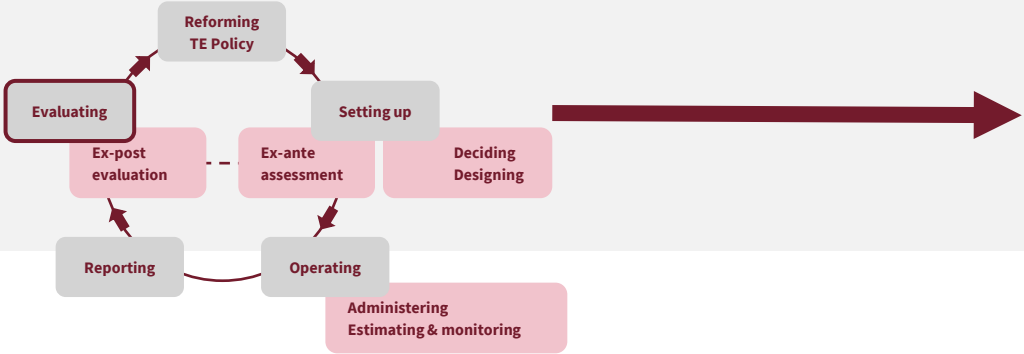
- Report covers all available TEs
- The benchmark tax system employed to prepare the report is introduced
- Structural reliefs are disclosed

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 disclosed
- The type of TE mechanism for each TE provision is disclosed
- The beneficiaries of each TE provision are disclosed. When possible, the number of claimants of the TE provision is provided
- The policy objective of each TE provision is disclosed
- The timeframe of each TE provision is disclosed
- The legal reference of each TE provision is disclosed

Timeline

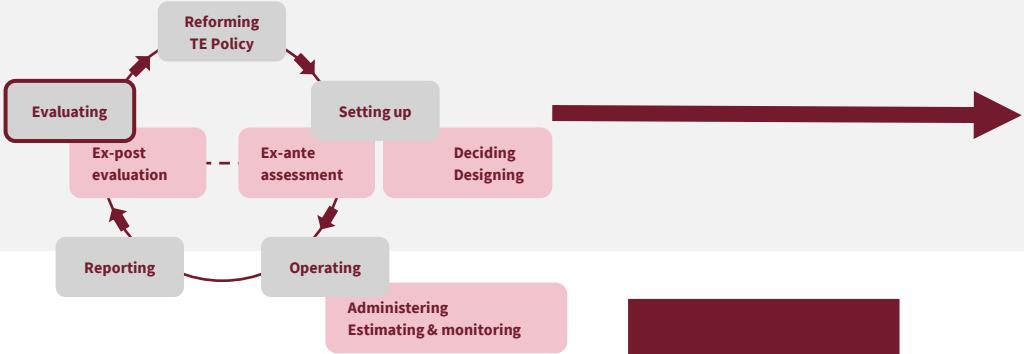
- The parliament receives the TE report yearly, together with the budget proposal



Evaluating

Ex-ante assessment

Ex-post evaluation



Evaluating

Evaluation Framework

Ex-ante

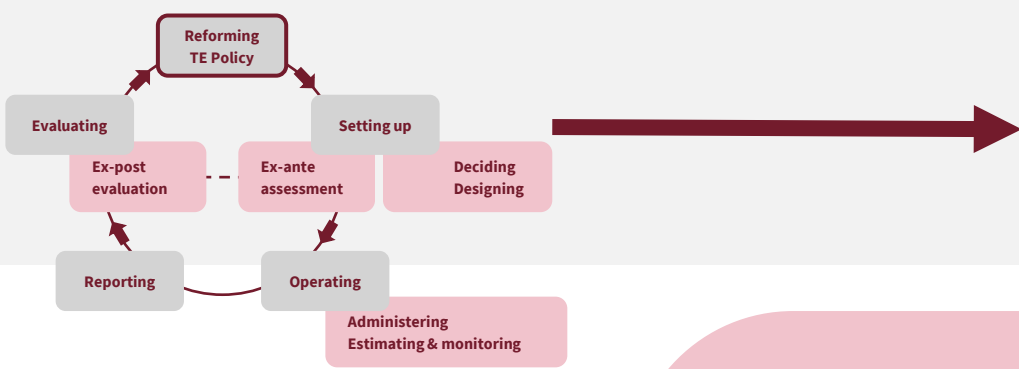
An ex-ante assessment framework should require the following for each provision:

1. Establish the **policy objectives** of the provision to be introduced
2. Identify the relevant **performance indicator(s)** and quantify the expected benefits of the TE in relation to its expected cost (revenue forgone forecasts)
3. Discuss and explore the potential **externalities** the TE may trigger
4. Set up protocols to collect the necessary **data** for ex-post evaluations
5. Set the **timeframe** of the proposed TE(s) (e.g., a sunset clause)
6. Explain why a TE is superior to other public policy instruments, such as regulatory measures, direct spending, or taxation.

Ex-post

An ex-post evaluation framework should:

1. Require the evaluation of the **benefits** of TE provisions **in relation to their costs**
2. Require an estimation of relevant **externalities** the TE has triggered (such as distributional and environmental effects or economic spillovers)
3. Determine **criteria for evaluations** including the scope (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 **follow up on evaluation results** (i.e., how to treat negatively evaluated TEs).



Reforming TE Policy

Parliaments play a key role in the reform process → **TE reforms do not occur in a political vacuum.**

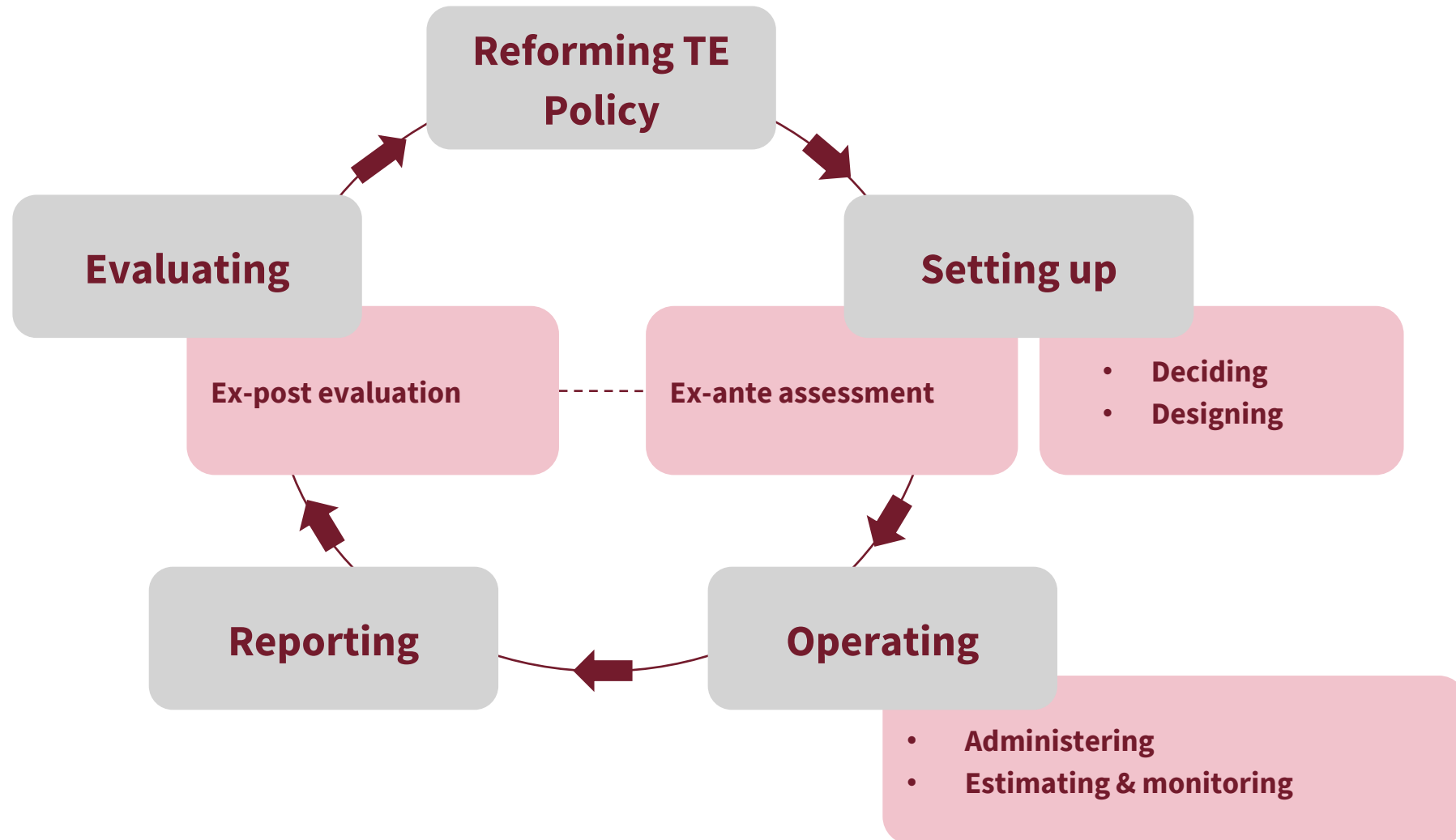
Information is important and Parliaments should be properly informed.

- ◆ **Regular and comprehensive data** plus **detailed information.**
- ◆ **Annual TE reports** as part of the budget process.

Ex-post evaluations are key sources of evidence. What happens to negatively evaluated provisions? What is the bigger picture?

Communication is a key element of any TE reform.

The TE Policy Cycle



Source: [Redonda, von Haldenwang & Berg \(2023\)](#)



Thank you!

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