Regional Workshop on Tax Expenditures (Lagos)

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GTED Global Tax Expenditures Database

Tax Expenditure Evaluation Frameworks

Flurim Aliu

IDOS German Institute of Development and Sustainability

CEP council on economic policies

Question to Audience

Does your country have a tax expenditure evaluation framework?

Typical Design of Evaluation Frameworks

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Ex-Ante Assessment
Before Introduction

Ex-Post Evaluation
After Implementation

- Institutional Setup
- Frequency & Timeline
- Data Requirements
- Methodology Discussions

Examples of Evaluation Frameworks: Ireland

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Ex Ante Evaluations	Ex Post Evaluations
1. What **objective** does the tax expenditure aim to achieve?	1. Is the tax expenditure still **relevant**?
2. What **market failure** is being addressed?	2. How much did the tax expenditure **cost**?
3. Is a **tax expenditure the best approach** to address the market failure?	3. What was the **impact** of the tax expenditure?
4. What economic **impact** is the tax expenditure likely to have?	4. Was it **efficient**?
5. How much is it expected to **cost**?	

Examples of Evaluation Frameworks: Ireland

GTED

Estimated Annual Cost[3]	Level	Ex Ante	Ex Post	Time Limit/ Review
Between **€1m and €10m**	Level 1	Ex ante assessment and identification of criteria for ex post evaluation	Application of ex post criteria	Five years to review
Between **€10m and €50m**	Level 2	Detailed assessment – scenario based analysis or similar and statement of proposed methods and data requirements for full ex post cost-benefit analysis (CBA)	Full ex post CBA	Five years to trigger review Interim review after three years if annual costs exceed €25m
Greater than **€50m**	Level 3	Full ex ante CBA and statement of methods and data requirements for full ex post CBA Use of pilot scheme if possible	Full ex post CBA	Interim review after three years

Examples of Evaluation Frameworks: Netherlands

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Dutch Ex ante Evaluation Framework	Central Questions in Dutch Ex post Evaluation
1) Is the problem clear? 2) Is the object stated clearly and unambiguously? 3) Can it be proven why financial intervention is necessary? 4) Can it be proven why a subsidy is preferred over a levy? 5) Can it be proven why a tax incentive is preferred over a direct subsidy? and 6) Is the evaluation of the provision sufficiently safeguarded?	1) Is there goal achievement and to what extent? (Requires SMART goals) 2) Is it an effective tool: To what extent is the realization of the objectives of policy due to the instrument? (Causation) 3) Is the instrument efficient (or cost effective)? What are the associated costs & benefits and how do they compare to alternative instruments? 4) Is the instrument executed efficiently?

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Thank you!

Contact:

- Email: fa@cepweb.org
- Twitter: @flurimaliu

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