

# Tax Expenditure Evaluation Frameworks

ATI Tax Expenditures Workshop

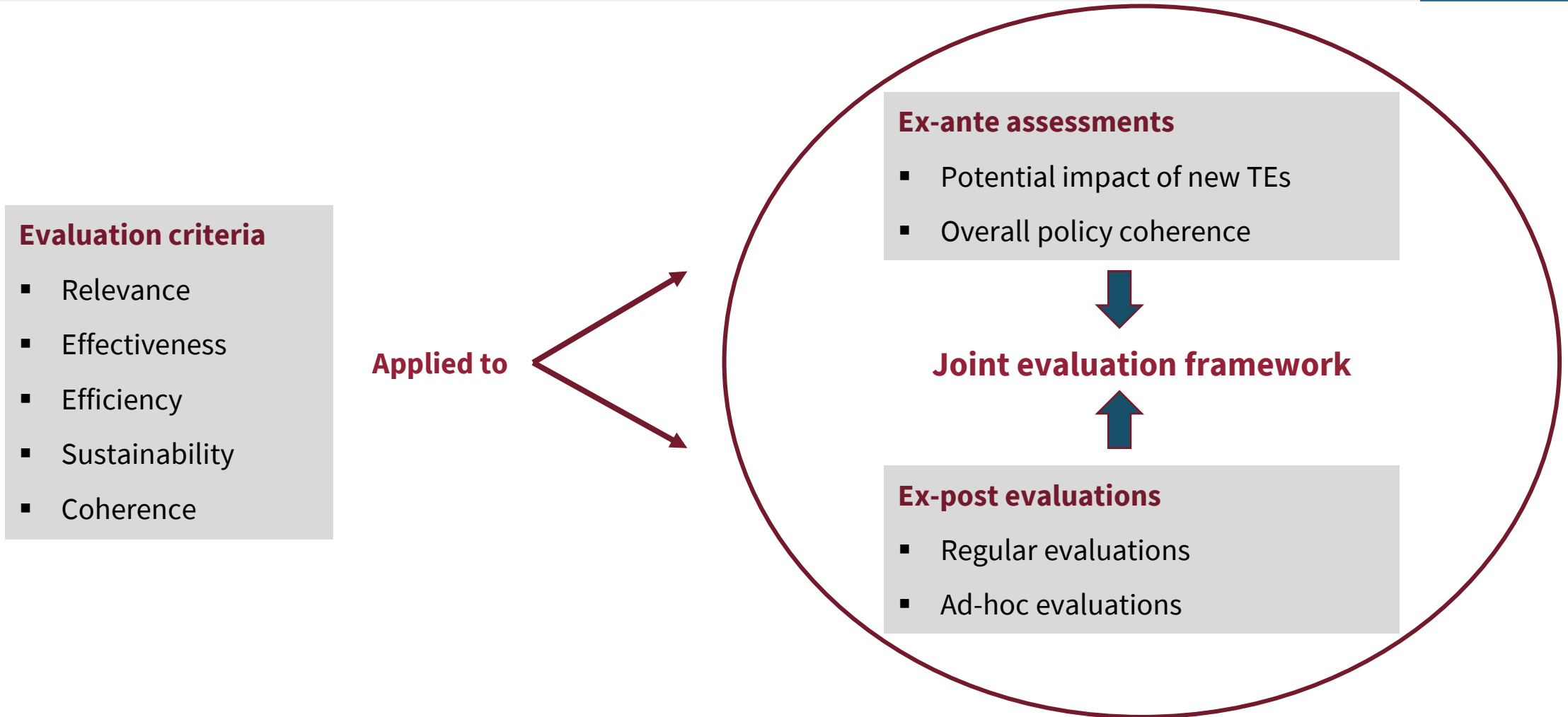
Manila, 01-03 March 2023

Agustin Redonda

*Does your country have a tax expenditure evaluation framework?*

## Evaluation criteria may include the following aspects:

- **Relevance:** Purpose of the TE justified from an economic and social perspective?
- **Effectiveness:** Objective(s) achieved? Wanted (e.g. knowledge spillovers) or unwanted (e.g. displacement effects) side effects?
- **Efficiency:** How efficient is the TE compared to other public policy measures – in particular, direct spending mechanisms? Administrative & compliance costs considered?
- **Sustainability:** Impact of the TE on the ecological, economic and social sustainability of the respective public policy?
- **Coherence:** In line with the national fiscal policy framework and with the international commitments of the country?



**Ex-Ante Assessment**  
Before Introduction



Institutional Setup



Frequency & Timeline

**Ex-Post Evaluation**  
Upon Implementation



Data Requirements



Methodology Discussions

# Examples of Evaluation Frameworks: Ireland

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

# Examples of Evaluation Frameworks: Ireland

Estimated Annual Cost <sup>3</sup>	Level	Ex Ante	Ex Post	Time Limit/ Review
Between <b>€1m</b> and <b>€10m</b>	Level 1	Ex ante assessment and identification of criteria for ex post evaluation	Application of ex post criteria	Five years to review
Between <b>€10m</b> and <b>€50m</b>	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 <b>€50m</b>	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

Dutch Ex ante Evaluation Framework	Central Questions in Dutch Ex post Evaluation
<ol style="list-style-type: none"><li>1) Is the problem clear?</li><li>2) Is the object stated clearly and unambiguously?</li><li>3) Can it be proven why financial intervention is necessary?</li><li>4) Can it be proven why a subsidy is preferred over a levy?</li><li>5) Can it be proven why a tax incentive is preferred over a direct subsidy? and</li><li>6) Is the evaluation of the provision sufficiently safeguarded?</li></ol>	<ol style="list-style-type: none"><li>1) Is there goal achievement and to what extent? (Requires SMART goals)</li><li>2) Is it an effective tool: To what extent is the realization of the objectives of policy due to the instrument? (Causation)</li><li>3) Is the instrument efficient (or cost effective)? What are the associated costs &amp; benefits and how do they compare to alternative instruments?</li><li>4) Is the instrument executed efficiently?</li></ol>



# Thank you!

Contact:

- Email: [ar@cepweb.org](mailto:ar@cepweb.org)
- Twitter: [@aredonda](https://twitter.com/aredonda)