

TaxDev Tax Expenditure Workshop

February 6-8, 2023

Session 10

Writing and Communicating TE Reports

Flurim Aliu

How do you view TE reporting?

What do you think the **purpose** of TE reporting should be?

1

2

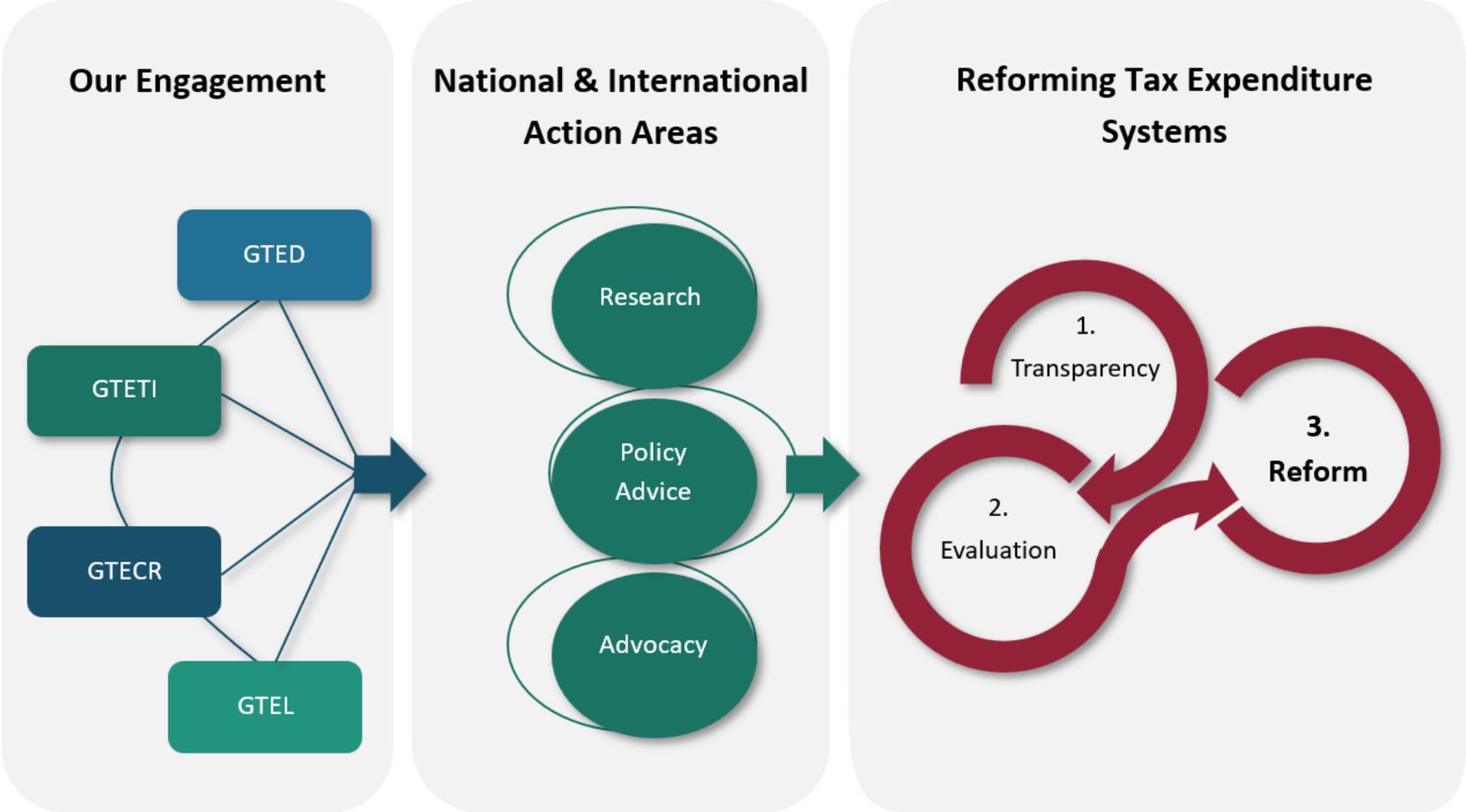
What are the **top 5 characteristics** of good TE reporting?

Are there any **plans** in your country **to improve** your TE reporting? If so, how?

3



CEP Theory of Change for TEs



“First global database covering the whole universe of tax expenditures”

What data does the GTED gather?

1 **Official**

2 **Publicly-Available**

3 **Following Country-Specific Benchmarks**

Scope of collected data:



Types of Info: Revenue Forgone, Type of Tax, TE Type, Beneficiaries, Policy Objective, Legal Reference, etc.



Period Covered: 1990-Present



Countries Covered: All 218

Current Key GTED Statistics

102

Reporting countries

116

Non-reporting countries

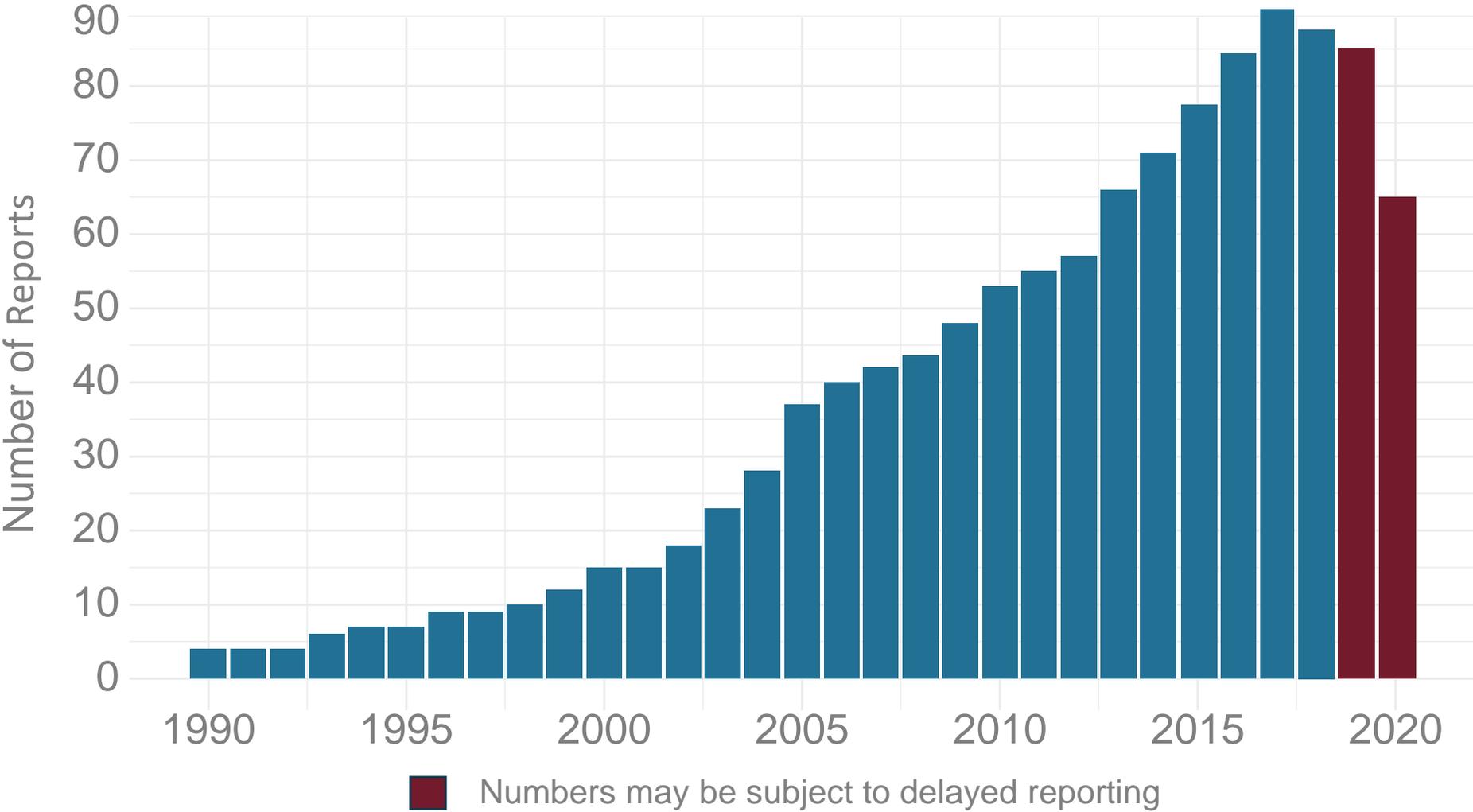
22,924

TE Provisions

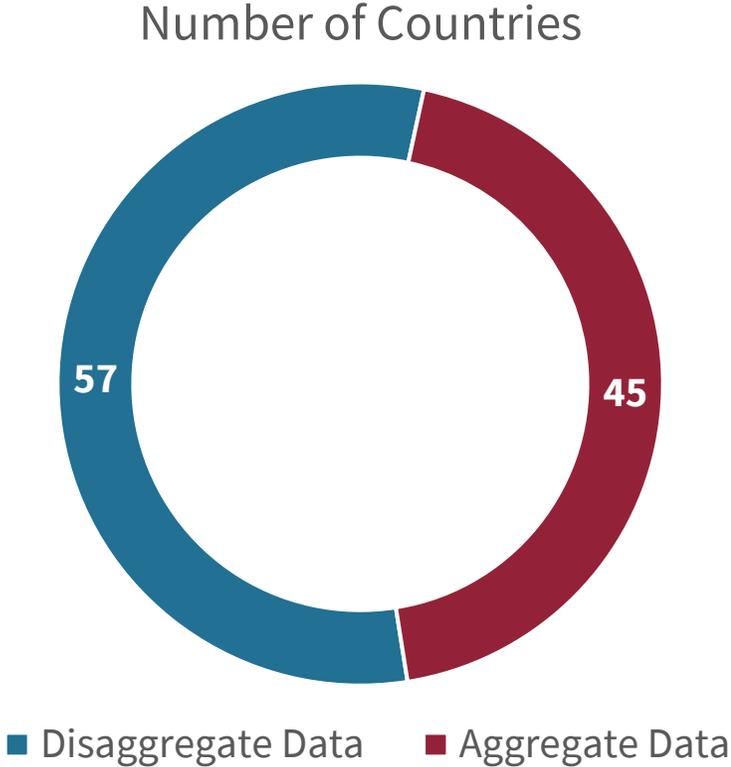
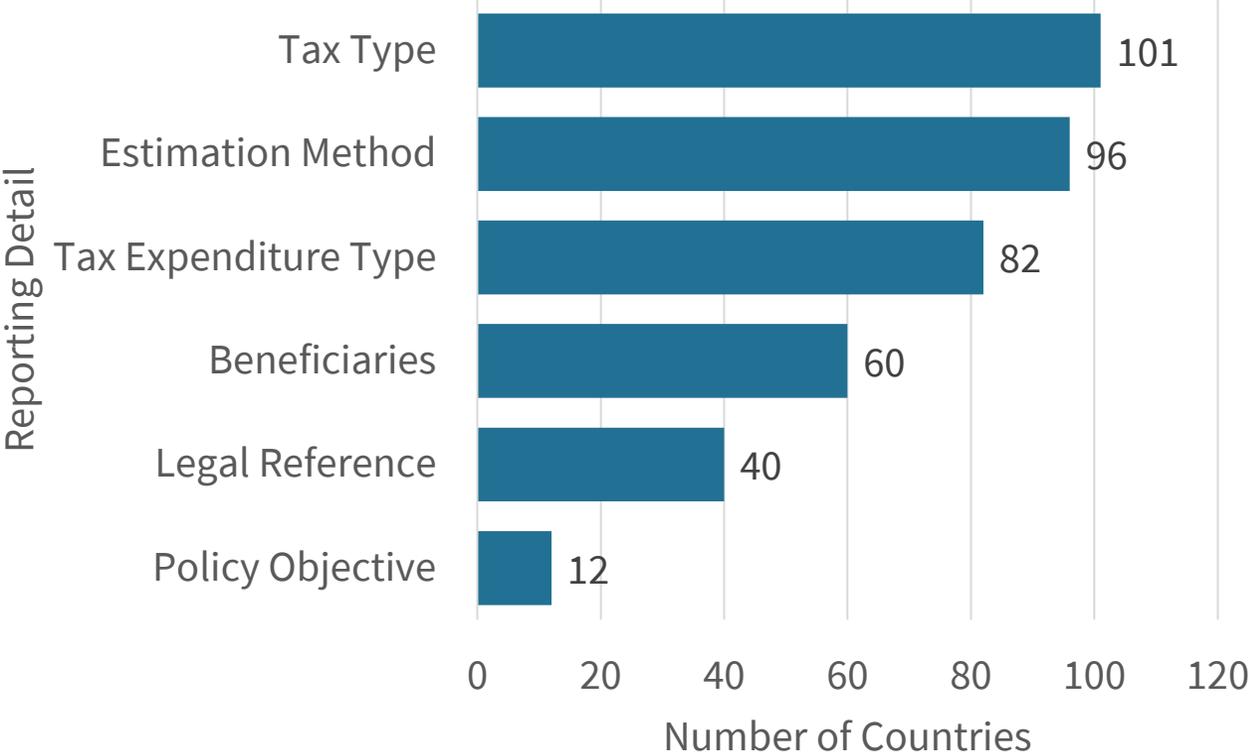
1,205

Country-years

Increasing numbers of countries have been reporting on TEs since the 1990s



Quality of reporting still needs improvement



Five GTETI Dimensions



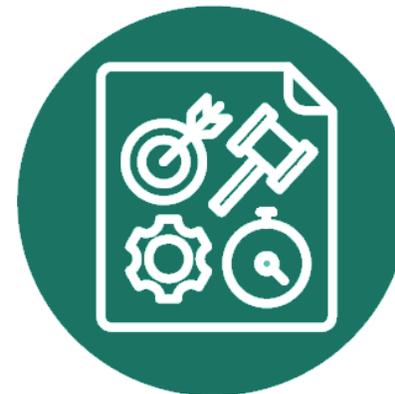
**Public
Availability**



**Institutional
Framework**



**Methodology &
Scope**



**Descriptive TE
Data**



TE Assessments

Public Availability



- 1.1** Frequency & Regularity
- 1.2** Timeliness
- 1.3** Visibility
- 1.4** Online Accessibility
- 1.5** Reader-friendliness

Institutional Framework



- 2.1** Legal Requirement
- 2.2** Submission to Parliament
- 2.3** Reporting Responsibility
- 2.4** Budget Cycle Integration
- 2.5** Medium-Term Strategy

Public Availability Drill Down

Indicator	Key Question	Best Practice
Frequency and Regularity	How regularly and frequently are TE reports published?	Yearly reporting with no missing years since start of reporting
Timeliness	Does the report provide timely data?	Reports providing timely data (e.g. report in <i>year t</i> provides data for <i>year t-1</i>)
Visibility	To what extent public authorities promote the visibility of TE reports?	TE reports announced in press release
Online Accessibility	How accessible is the TE report and its underlying data online?	TE reports easy to find and included in an online repository
Reader-friendliness	To what extent is the report designed to be understandable for everyone?	TE reports are a singular document , contain a digestible summary , explain acronyms , and contain a version for impaired individuals .

Institutional Framework Drill Down

Indicator	Key Question	Best Practice
Legal Requirement	Is there a legal requirement to report on TEs?	There is a legal requirement to report yearly .
Submission to Parliament	Is the TE report required to be presented to the Parliament?	TE report must be submitted to Parliament .
Reporting Responsibility	Is TE reporting assigned to a specific Government ministry, agency or commission?	TE reporting is assigned to Ministry of Finance , with data-sharing from other Ministries and the Tax Authority.
Budget Cycle Integration	Is the TE report presented together with the budget?	TE report is presented as an annex to the budget proposal and its key findings are discussed within the proposal's main body.
Medium Term Strategy	Does the medium-term strategy, if any, include information on tax expenditures?	The MTS sets guidelines with regards to the size and policy objectives of TEs.



Methodology & Scope

- 3.1 Information on TE Coverage
- 3.2 Benchmark Explanation
- 3.3 Structural Reliefs
- 3.4 Estimation Method
- 3.5 Data Sources



Descriptive TE Data

- 4.1 Policy Objective
- 4.2 Type of TE
- 4.3 Beneficiaries
- 4.4 Timeframe
- 4.5 Legal Reference

Methodology and Scope Drill Down

Indicator	Key Question	Best Practice
Coverage	Does the TE report cover all existing TEs?	The TE report covers all TEs and provides a confirmation that it does so.
Benchmark	To what extent is the tax benchmark used to assess TEs specified in the report?	The benchmark is described in detail for each tax type.
Structural Reliefs	To what extent does the report include information on structural reliefs?	The report lists individual structural relief provisions, provides associated costs for them, and explains its categorization criteria .
Costing Methodology	Does the report describe its costing methodology in detail?	The report provides a detailed description of the methodology used and the economic assumptions employed in the calculations.
Data Sources	Does the report provide information on the data sources it uses?	The report discloses the data sources it uses as well as potential issues with such sources.

Descriptive TE Data Drill Down

Indicator	Key Question	Best Practice
Type of TE	Does the TE report describe the TE provision in detail?	At the provision-level , the report describes the applicable type of tax and the incentive mechanism .
Policy Objective	Does the TE report provide policy objectives for all TEs?	At the provision-level , the report provides policy objectives for each TE.
Beneficiaries	To what extent does the report include information on targeted beneficiaries?	At the provision-level , the report describes the targeted beneficiaries and the number of claimants of the incentive.
Timeframe	Does the report describe the timeframe in which each provision is applicable?	The report describes until when each TE provision is in place and the necessary procedures to renew the provision.
Legal Reference	Does the TE report provide legal references for its provisions?	The report discloses the legal reference of each TE provision .



TE Assessments

- 5.1 Disaggregation of Revenue Forgone
- 5.2 Backward Revenue Forgone
- 5.3 Forward Revenue Forgone
- 5.4 TE Evaluation Framework
- 5.5 Availability of TE Evaluations

TE Assessments Drill Down

Indicator	Key Question	Best Practice
Disaggregation of Revenue Forgone	How is revenue forgone data presented in the TE report?	The revenue forgone information is presented at the provision-level for all TEs.
Backward Estimates	Does the TE report provide backward revenue forgone estimates?	At the provision-level , the report provides backward estimates for 5 years .
Forward Projections	Does the TE report provide revenue forgone projections?	At the provision-level , the report provides projections for 5 years .
TE Evaluation Framework	Does the report reference the country's TE evaluation framework, if available?	The report describes and references the country's TE evaluation framework .
Data on Evaluations	Does the TE report provide information on the latest evaluations undertaken?	The report discloses the last time each provision was evaluated, provides a brief descriptions of the results , and a reference to the full evaluation.

TE Reporting Example: Canada


 Department of Finance Canada / Ministère des Finances Canada



Report on Federal Tax Expenditures
 Concepts, Estimates and Evaluations
 2022

Canada

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2016	2017	2018	2019	2020	2021	2022	2023
TAX EXPENDITURES									
ARTS AND CULTURE									
Structural									
Deduction for self-employed artists	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Children's Arts Tax Credit (phased out)	PIT	25	-	-	-	-	-	-	-
BUSINESS – FARMING AND FISHING									
Structural									
Cash basis accounting	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from destruction of livestock	PIT	-1	2	-2	5	5	n.a.	n.a.	n.a.
	CIT	5	3	5	1	1	n.a.	n.a.	n.a.
Deferral of income from sale of livestock in a region of drought, flood or excessive moisture	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from grain sold through cash purchase tickets	PIT	10	-5	-10	-20	20	45	n.a.	n.a.
	CIT	10	-5	-10	-20	20	-1	n.a.	n.a.
Exemption for insurers of farming and fishing property (repealed)	CIT	10	10	20	-	-	-	-	-
Patronage dividends paid as shares by agricultural cooperatives	PIT	2	2	2	5	1	1	1	1
	CIT	5	4	4	5	3	3	3	3
Tax treatment of farm savings accounts (Agrinvest and Agri-Québec)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zero-rating of agricultural and fish products and purchases	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
BUSINESS – NATURAL RESOURCES									
Non-structural									
Accelerated capital cost allowance for liquefied natural gas facilities (sunset in 2024)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	X	X	X	X	X	X	X	X
Accelerated capital cost allowance for mining and oil sands assets (phased out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated deductibility of some Canadian Exploration Expenses (phased out)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Report on Federal Tax Expenditures 2022 29

Student Loan Interest Credit

Description	Individuals can claim a non-refundable credit in respect of interest paid in the year or in the preceding five years on a student loan received for post-secondary education under the Canada Student Loans Act, the Canada Student Financial Assistance Act, the Apprentice Loans Act or similar provincial or territorial government programs. The value of the credit is calculated by applying the lowest personal income tax rate to the amount of interest paid.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Credit, non-refundable
Legal reference	Income Tax Act, section 118.62
Implementation and recent history	<ul style="list-style-type: none"> Introduced in Budget 1998. Effective for the 1998 and subsequent taxation years; Extended to Canada Apprentice Loans in Budget 2014.
Objective – category	To recognize education costs
Objective	This measure helps individuals manage their student debt loads by providing tax relief for interest payments on student loans and improving the Canada Student Loan Program to help borrowers facing financial difficulties (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous Services Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 560,000 individuals claimed this credit in 2019.
Cost Information:	
<i>Millions of dollars</i>	2016 2017 2018 2019 2020 (P) 2021 (P) 2022 (P) 2023 (P)
Personal income tax	40 45 50 55 25 25 15 55

Report on Federal Tax Expenditures 2022 305



RAPPORT SUR LES DEPENSES FISCALES

CHAPITRE III : PRESENTATION DE LA MATRICE DES MESURES EVALUEES

En 2021, le taux d'évaluation des mesures dérogatoires est de 85%, soit 259 mesures évaluées sur un total de 306 mesures qualifiées comme dépenses fiscales.

Le choix des mesures dérogatoires évaluées a été dicté par la disponibilité de l'information et par les priorités en matière de réforme fiscale.

I. DEPENSES FISCALES RELATIVES A LA TVA

Tableau 9: Mesures dérogatoires de la TVA évaluées

En millions de dirhams

Code 2021	Mode d'incitation	Mesure incitative	Référence	Coût 2020 actualisé	Coût 2021
40.099.23	Réduction	Application du taux réduit de 10% avec droit à déduction sur les huiles de pétrole ou de schistes, brutes ou raffinées.	Art 99(2°) ; Art 121	2 597	3 284
40.092.29	Exonération totale	Exonération des opérations de cession de logements sociaux à usage d'habitation principale dont la superficie couverte est comprise entre 50 m ² et 80 m ² , et le prix de vente n'excède pas 250000 DHS HT.	Art 92(1-28°)	2 623	2 505
40.091.22	Exonération totale	Exonération des prestations réalisées par les sociétés ou compagnies d'assurances qui relèvent de la "Taxe sur les Contrats d'Assurances".	Art 91(1-D-3°)	1 244	1 455
40.099.34	Réduction	Application du taux de 14% avec droit à déduction sur l'énergie électrique.	Art 99(3-a°) ; Art 121	859	1 069
40.099.33	Réduction	Application du taux de 14% avec droit à déduction sur les opérations de transport de voyageurs et de marchandises à l'exclusion des opérations de transport ferroviaire.	Art 99(3-a°) ; Art 121	615	600
40.121.01	Réduction	Application du taux réduit de 10% à l'importation sur les huiles fluides alimentaires à l'exclusion de l'huile de palme, raffinée ou non raffinée, ainsi que les graines, les fruits oléagineux et les huiles végétales utilisées pour la fabrication desdites huiles fluides alimentaires.	Art 121	490	438
40.092.04	Exonération totale	Exonération à l'intérieur et à l'importation de matériels destinés à usage exclusivement agricole	Art 92(1-5°) ; Art 123	404	395
40.125.01	Déduction	Déduction de la taxe non apparente sur le prix d'achat des légumineuses, fruits et légumes non transformés, d'origine locale, destinés à la production agroalimentaire vendus localement et du lait non transformé d'origine locale, destiné à la production de dérivés du lait autres que ceux visés à l'article 91 (1-A-2°) ci-dessus, vendus localement.	Art 125 ter	330	326

RAPPORT SUR LES DEPENSES FISCALES

Code 2021	Mode d'incitation	Mesure incitative	Objectif	Secteur d'activité	Bénéficiaires
40.099.04	Réduction	Application du taux réduit de 7% avec droit à déduction sur les emballages non récupérables des produits pharmaceutiques ainsi que les produits et matières entrant dans leur fabrication.	Alléger le coût de la santé	Santé et action sociale	Ménages
40.099.05	Réduction	Application du taux réduit de 7% avec droit à déduction sur les fournitures scolaires, les produits et matières entrant dans leur composition.	Soutenir le pouvoir d'achat	Education	Ménages
40.099.07	Réduction	Application du taux réduit de 7% avec droit à déduction sur le sucre raffiné ou aggloméré, y compris les vergeoises, les candies et les sirops de sucre pur non aromatisés ni colorés à l'exclusion de tous autres produits sucrés ne répondant pas à cette définition.	Soutenir le pouvoir d'achat	Industries alimentaires	Ménages
40.099.08	Réduction	Application du taux réduit de 7% avec droit à déduction sur les conserves de sardines.	Soutenir le pouvoir d'achat	Industries alimentaires	Ménages
40.099.09	Réduction	Application du taux réduit de 7% avec droit à déduction sur le lait en poudre.	Soutenir le pouvoir d'achat	Industries alimentaires	Ménages
40.099.10	Réduction	Application du taux réduit de 7% avec droit à déduction sur le savon de ménage.	Soutenir le pouvoir d'achat	Industrie automobile et chimique	Ménages
40.099.11	Réduction	Application du taux de 7% avec droit à déduction sur la "voiture économique" et tous les produits, et matières entrant dans sa fabrication ainsi que les prestations de montage de ladite voiture économique.	Inciter le renouvellement du Parc Auto	Industrie automobile et chimique	Ménages
40.099.18	Réduction	Application du taux réduit de 10% avec droit à déduction sur le riz usiné.	Soutenir le pouvoir d'achat	Industries alimentaires	Ménages

What do you think of these recommendations?

Did any of your **views** on the purpose or key characteristics of TE reporting **change**?

1



2

Did any of your **views** on the TE reporting communication strategy **change**?

4

Which recommendations would be **hardest to follow**? Why?

3

Which of the discussed recommendations can be **implemented easily** in your country?

Thank you!

Contact:

- Flurim Aliu: fa@cepweb.org
- GTED: www.GTED.net