

# Global Tax Expenditure Trends

GTED and GTETI

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# **What are Tax Expenditures?**

# Governments pursue different policy goals through two main fiscal policy instruments

## Direct Spending

### Cash transfers:

- Crises relief measures (e.g. COVID-19 checks)
- To support certain distributional or social goals (e.g. child allowance)
- To support certain activities (e.g. subsidies for farmers)
- To attract investment (e.g. infrastructure spending)

## Tax Expenditures (TEs)

### Forgone tax revenue:

- Crises relief measures (e.g. PIT exemptions or deferrals)
- To support certain distributional or social goals (e.g. child tax credits)
- To support certain activities (e.g. no import duty for farm vehicles)
- To attract investment (e.g. reduced CIT rate for manufacturers)

# Tax expenditures are deviations from the benchmark tax system (which differs by country)

Tax Head	Tax Unit	Tax Base	Tax Rate	Tax Period
CIT	Firm	(Taxable) profit	Statutory CIT rate	Yearly
PIT	Individual (household, if joint filing)	(Taxable) employment or self-employment income	PIT schedule	Yearly
VAT	Final consumer	Final consumption	VAT rate	Quarterly
Excise duty	Final consumer	Consumption	Schedule of duty rates	Varies
Customs duty	Importer	CIF value	Tariff code	Upon importation

Any legal provision that adjusts the **unit, base, rate, or period (in favour of the taxpayer)** is therefore a candidate to be considered a “tax expenditure”

# Why to rationalize the use of TEs?

Besides their stated policy goals, TEs are often costly and opaque

Hence, reforming TE systems should be seen as an avenue for governments to:

1. increase **domestic revenue mobilization (DRM)**, and
2. better **align their tax systems with the governments' growth and development strategies.**

# **Global outlook**

Revenue forgone (GTED)

# The Global Tax Expenditures Database (GTED)

The GTED is the first global database covering the whole universe of tax expenditures.

“The GTED is based on information from more than 1000 reports in 34 languages”.

## 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, Tax Type, TE Type, Beneficiaries, Policy Objective, Legal Reference, etc.

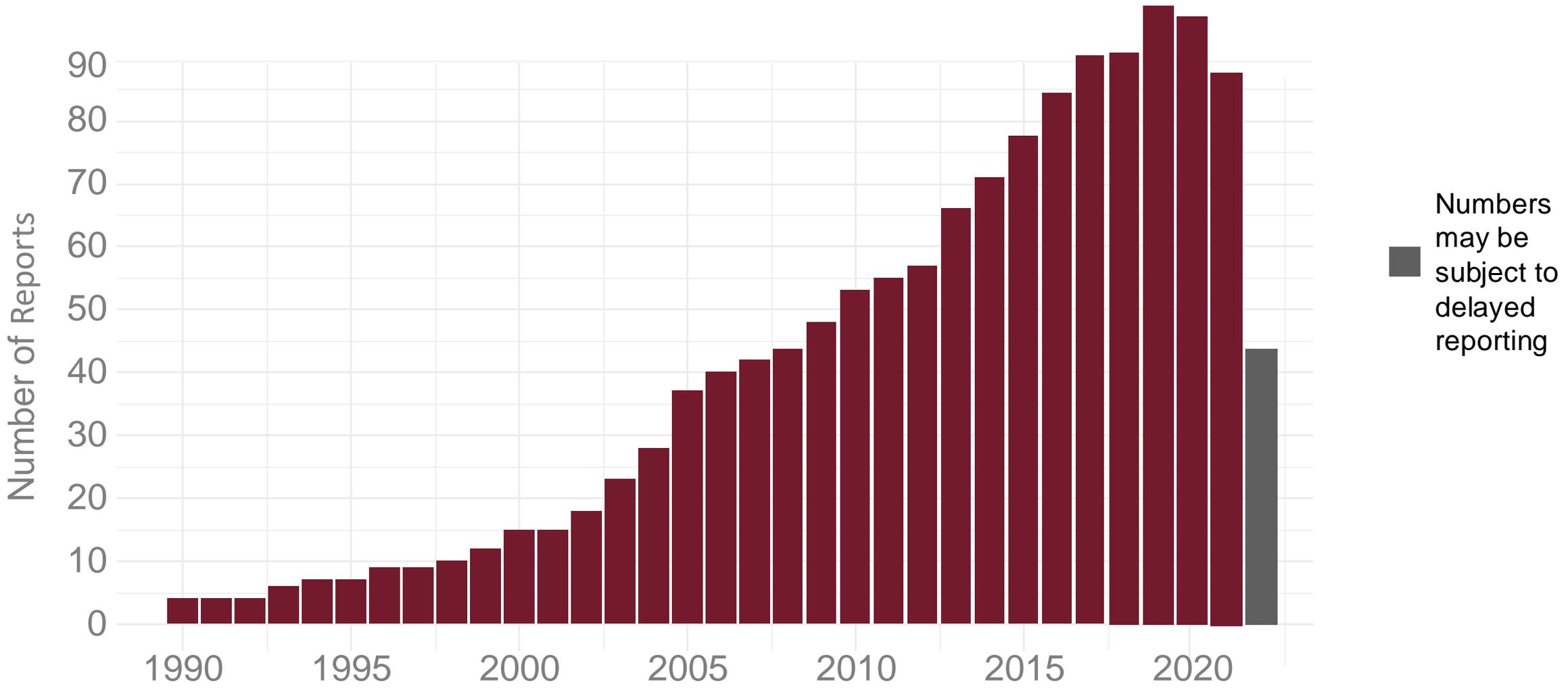


**Period Covered:** 1990-Present



**Countries Covered:**  
All reporting jurisdictions

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



50%

+12 jurisdictions since launch

of Jurisdictions are now reporting on TEs  
(**109 in total**)

# Key GTED figures

**109**

Jurisdictions with data

**109**

Non-reporting jurisdictions

**27,844**

TE provisions

**124,180**

Revenue forgone estimates

# Tax expenditures are costly

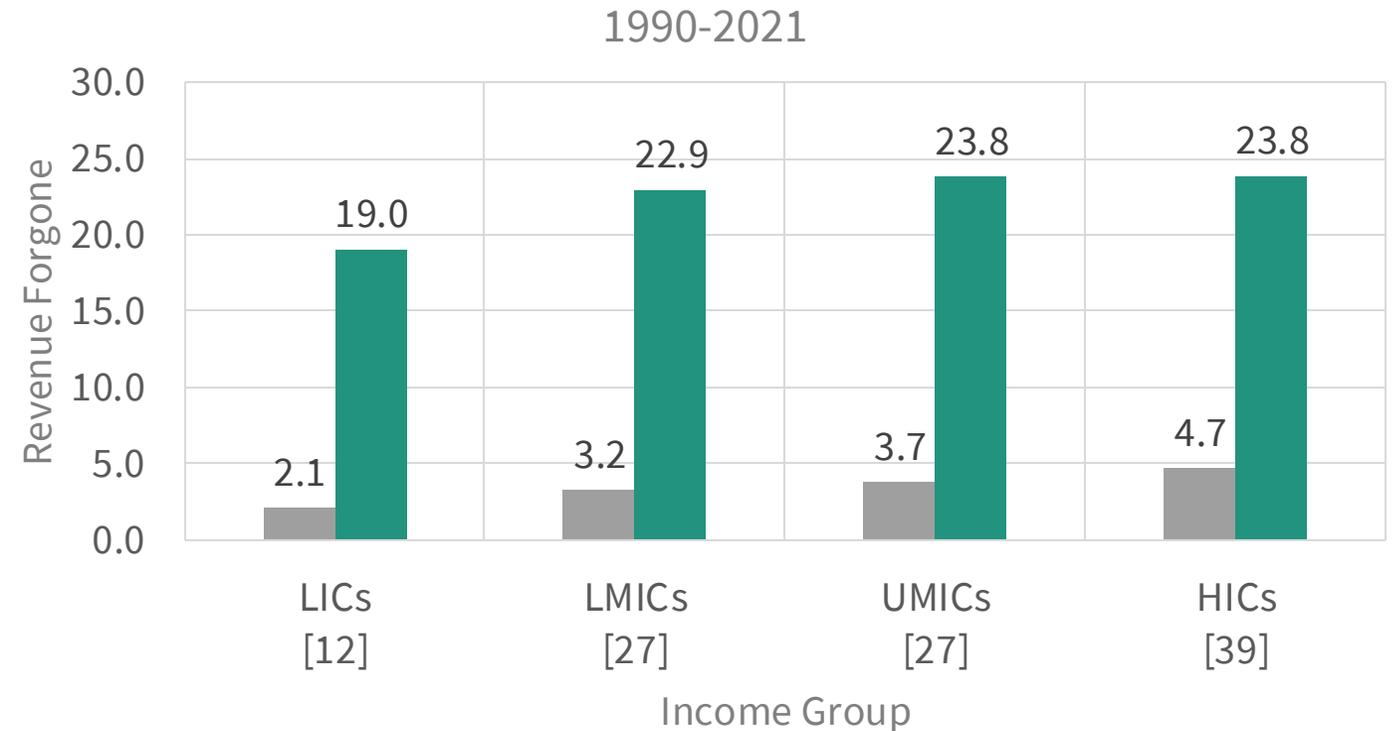
## Global revenue forgone averages

**3.8%**

of GDP

**23.0%**

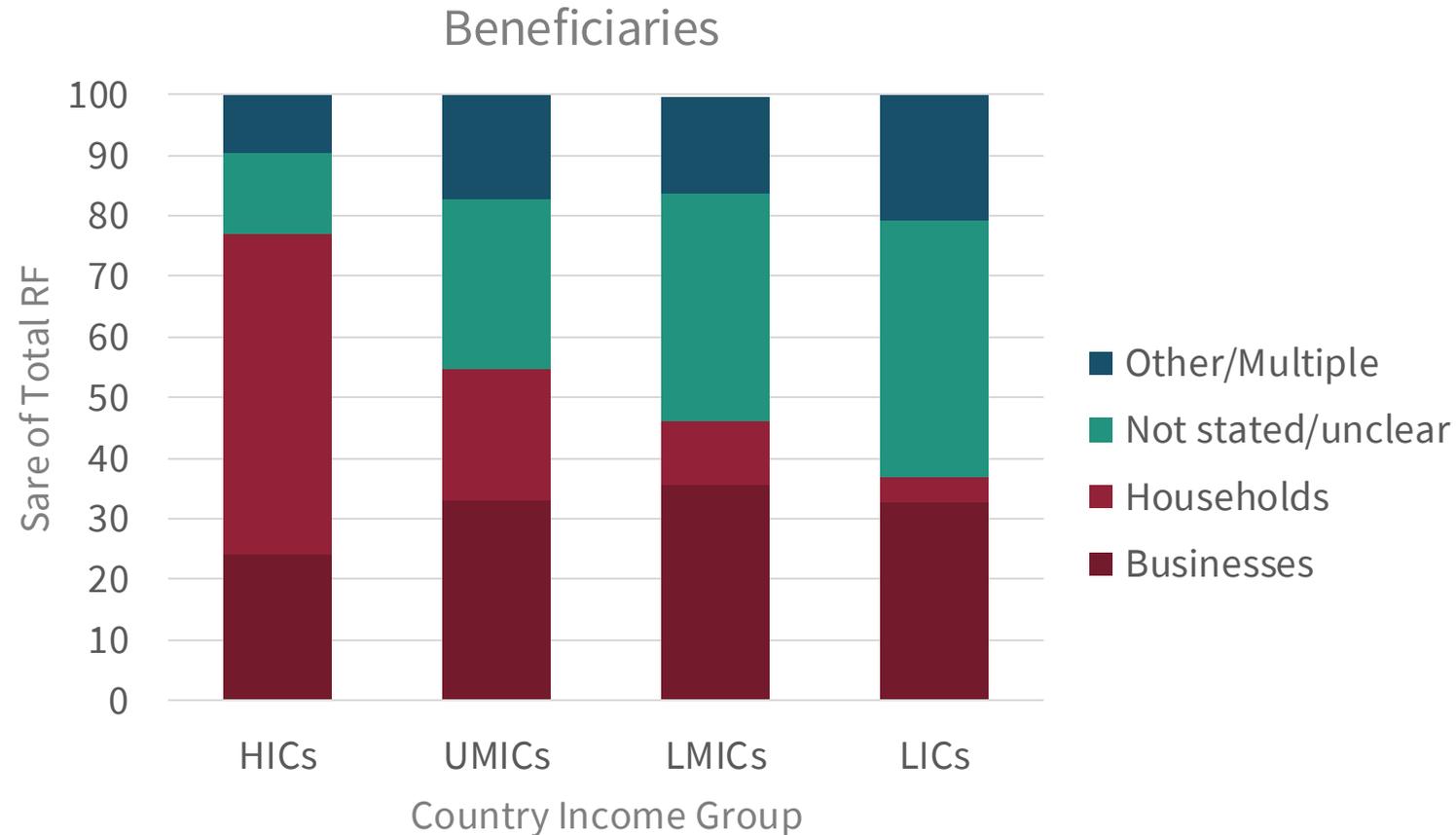
of tax revenue



■ Revenue Forgone (% of GDP) ■ Revenue Forgone (% of Tax Revenue)

**NOTE:** Numbers in brackets indicate the **number of countries in each income group** with available TE data. Country classifications are based on the latest data by the World Bank. Revenue forgone estimates are **not fully comparable** across countries due to differences in benchmark tax systems.

# Globally, TEs support businesses slightly more than households



**NOTE:** For the share of total revenue forgone, we first calculated country averages across years and then the average across countries within each income group. Country classifications are based on the latest data by the World Bank.

# **Global outlook**

TE reporting transparency  
(GTETI)

# The Global Tax Expenditures Transparency Index (GTETI)

## Five dimensions



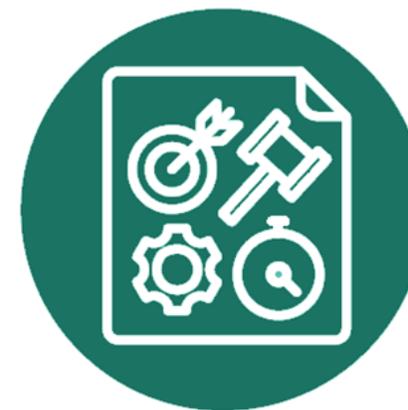
**Public  
Availability**



**Institutional  
Framework**



**Methodology &  
Scope**

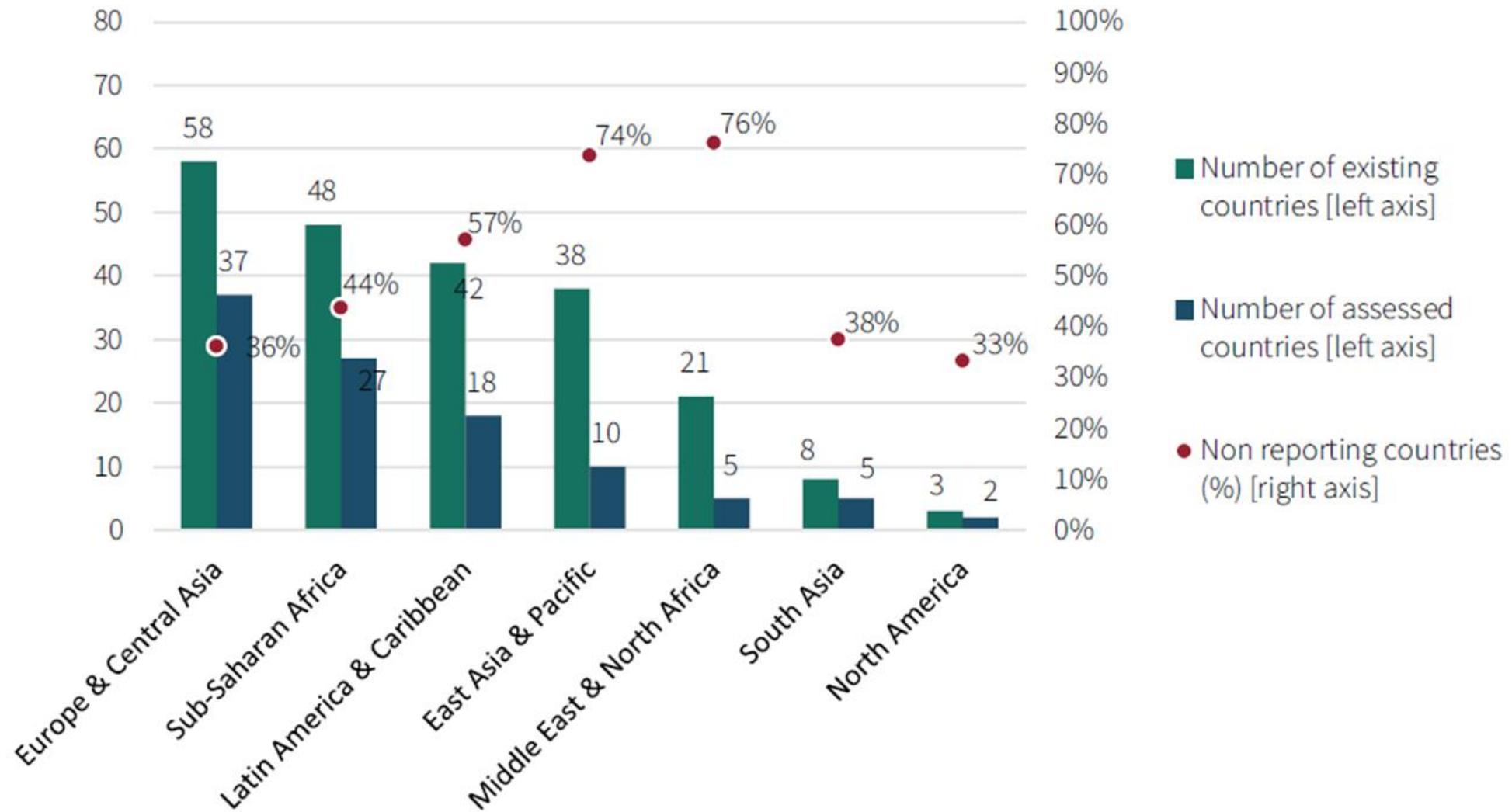


**Descriptive TE  
Data**



**TE Assessments**

# GTETI coverage: 105 assessed countries



# GTETI: 5 Dimensions and 25 Indicators

## D1: Public availability

- 1.1 Frequency and regularity
- 1.2 Timeliness
- 1.4 Visibility
- 1.4 Online accessibility
- 1.5 Reader-friendliness

## D2: Institutional framework

- 2.1 Legal requirement
- 2.2 Submission to Parliament
- 2.4 Reporting responsibility
- 2.4 Budget cycle integration
- 2.5 Medium-term fiscal strategy

## D3: Methodology and scope

- 3.1 Information on TE coverage
- 3.2 Tax benchmark explanation
- 3.4 Structural relief
- 3.4 Revenue estimation method
- 3.5 Data sources

## D4: Descriptive TE data

- 4.1 Policy objective
- 4.2 Type of tax expenditure
- 4.4 Beneficiaries
- 4.4 Timeframe
- 4.5 Legal reference

## D5: TE assessment

- 5.1 Disaggregation of revenue forgone
- 5.2 Backward revenue forgone
- 5.4 Forward revenue forgone
- 5.4 TE evaluation framework
- 5.5 Availability of TE evaluations

# GTETI 2.0 Preview: Zoom in on a few specific indicators

## 1.1 Frequency and regularity

- Standard: Annual reporting
- Missed expected publications
- No identifiable pattern or only ad-hoc reports



## 2.3 Reporting responsibility

- Indicated in the law and in the TE report
- Indeterminate attribution e.g. “Government”



## 3.2 Tax benchmark

- Clear description of the benchmark
- Is it described by each tax type?



## 4.1 Policy objective

- Rationale behind the TE
- Important for ex-post evaluation



## 5.5 Availability of TE evaluations

- Evaluations included or referenced in the report



Note: The assessment is preliminary and is subject to final checks and potential adjustments.

# GTETI 2.0 Preview - Performance by region

Region	Nr Countries	Average	1.1	1.2	1.3	1.4	1.5	2.1	2.2	2.3	2.4	2.5	3.1	3.2	3.3	3.4	3.5	4.1	4.2	4.3	4.4	4.5	5.1	5.2	5.3	5.4	5.5
East Asia & Pacific	38	49.8	3.2	3.2	1.8	1.2	2.2	3.2	3.2	3.2	1.6	1.2	1.3	1.5	0.9	1.4	2.2	1.7	3.4	1.0	2.2	2.9	2.8	2.4	1.1	0.6	0.2
Europe & Central Asia	27	40.6	3.3	2.8	1.3	1.9	2.0	2.9	2.6	2.9	1.6	1.7	2.1	1.7	1.4	2.5	1.9	1.7	3.7	1.1	1.4	2.3	3.5	1.6	1.1	0.5	0.3
Latin America & Caribbean	18	47.9	3.2	2.7	1.8	2.0	2.5	3.0	2.8	3.1	1.2	1.0	1.6	1.6	1.2	2.8	2.6	1.3	3.4	0.9	1.0	2.5	3.1	1.8	0.8	0.2	0.2
Middle East & North Africa	10	49.5	3.2	2.0	1.6	1.2	2.2	4.0	4.0	2.4	1.2	1.2	1.9	2.0	0.4	2.8	2.4	1.4	3.2	0.8	0.8	1.3	3.2	1.0	0.6	0.0	0.2
North America	5	45.0	3.5	4.0	3.0	4.0	1.5	2.0	3.0	3.0	2.0	1.0	2.0	3.0	3.5	4.0	2.0	4.0	4.0	1.5	2.0	2.4	4.0	2.4	2.8	1.0	1.0
South Asia	5	39.4	3.2	3.6	1.6	1.4	2.4	0.8	2.4	2.4	0.8	1.6	0.8	1.8	0.4	1.6	1.6	0.4	3.2	1.2	1.6	2.1	2.6	1.8	0.2	0.0	0.0
Sub-Saharan Africa	2	66.6	3.1	3.7	1.0	1.2	2.6	2.4	2.7	2.8	0.7	1.3	1.2	1.9	0.7	2.2	2.3	1.0	2.8	0.7	0.1	1.1	1.9	2.2	0.5	0.3	0.3
GTETI Averages	105	46.7	3.2	3.1	1.4	1.7	2.3	2.7	2.8	2.9	1.2	1.4	1.6	1.8	1.1	2.4	2.2	1.4	3.3	1.0	1.1	2.0	2.9	1.9	0.9	0.4	0.3

Note: The assessment is preliminary and is subject to final checks and potential adjustments.

# GTETI 2.0 Preview – Top 20

Country	GTETI 2.0 Rank	GTETI 2.0 Score
IDN	1	75
KOR	2	74.6
CAN	3	71
FRA	4	70.4
DEU	5	69.6
NLD	6	68.2
ITA	7	67.6
BEN	8	65.2
AUS	9	64.8
BEL	10	64.2

Country	GTETI 2.0 Rank	GTETI 2.0 Score
ECU	11	63.8
PRT	12	63.4
SWE	12	63.4
LVA	14	62.6
USA	15	62.2
URY	16	61.6
AUT	17	60.8
GEO	18	60.4
TUN	19	60.2
MAR	20	59.8

Note: The assessment is preliminary and is subject to final checks and potential adjustments.

# GTETI 2.0 Preview – Bottom 20

Country	GTETI 2.0 Rank	GTETI 2.0 Score
MDV	86	32.4
UKR	87	32.2
EST	88	31.4
BOL	89	31
MNG	90	31
PRY	91	30
LSO	92	29.6
LKA	93	28.6
ROU	94	27.6
BTN	95	26.4

Country	GTETI 2.0 Rank	GTETI 2.0 Score
COD	96	26.2
PAN	96	26.2
BDI	98	25.4
TON	99	24.2
MUS	100	23.4
MDG	101	21.6
TZA	102	21.2
SWZ	103	21.2
DZA	104	20.6
GTM	105	18.2

Note: The assessment is preliminary and is subject to final checks and potential adjustments.

# Conclusions and policy implications

- More and more countries are reporting on TEs but the quality and scope greatly varies.
  - Despite TE estimates are not fully comparable across countries, we can see:
    - TEs result in a significant amount of revenue forgone,
    - TEs tend to benefit business more than households,
    - but the share varies by income group.
- TE transparency is not a concern specific to one country, region, or income group - Average overall GTETI score highlights the issue (105 assessed countries) = 46.7/100.
  - While only one country scores lower than 20, even best performing countries score 75 points or below.
- Dimensions 1 and 2 (which assess institutional frameworks and legal set-ups) are the ones scoring the highest...
- while dimensions capturing more technical aspects of TE reporting processes score relatively low
  - Particularly worrisome is the low average score of *Dimension 5. TE Assessment*.

# Material to improve TE reporting

## TE report: checklist

Coverage	
<input type="checkbox"/>	Report covers all available TEs
<input type="checkbox"/>	The benchmark tax system employed to prepare the report is introduced
<input type="checkbox"/>	Structural reliefs are disclosed
Granularity and Comprehensiveness	
<input type="checkbox"/>	Report provides information on individual TE provisions
<input type="checkbox"/>	The revenue forgone from each TE provision is reported individually
<input type="checkbox"/>	The tax type of each TE provision is disclosed
<input type="checkbox"/>	The type of TE mechanism for each TE provision is disclosed
<input type="checkbox"/>	The beneficiaries of each TE provision are disclosed. When possible, the number of claimants of the TE provision is provided
<input type="checkbox"/>	The policy objective of each TE provision is disclosed
<input type="checkbox"/>	The timeframe of each TE provision is disclosed
<input type="checkbox"/>	The legal reference of each TE provision is disclosed
Timeline	
<input type="checkbox"/>	The parliament receives the TE report yearly, together with the budget proposal

## The TE passport

An ideal fact sheet for each provision

TE name										
TE identification number										
Description										
Policy objective										
Budgetary category										
Intended beneficiaries										
Number of beneficiaries										
Benchmark definition										
Legal reference										
Type of tax										
Type of TE										
Timeframe	Entry in force		Date							
	Expiration		Date / permanent							
Revenue forgone estimates and projections (absolute value, in local currency)	t-5	t-4	t-3	t-2	t-1	t	t+1	t+2	t+3	t+4
Estimation method*										
Data sources*										
Last evaluation/ evaluation schedule										

# Thank you!

Contact details:

- [www.TaxExpenditures.org](http://www.TaxExpenditures.org)
- Email: [sb@cepweb.org](mailto:sb@cepweb.org)

# Appendix

# TE report: checklist

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Estimation method*										
Data sources*										
Last evaluation/ evaluation schedule										