



THE GLOBAL TAX EXPENDITURES TRANSPARENCY INDEX

COMPANION PAPER

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CONTENT TABLE

3	LIST OF ABBREVIATIONS
4	ABSTRACT
5	1 INTRODUCTION
7	2 FIVE DIMENSIONS AND 25 INDICATORS 2.1. Public Availability 2.2. Institutional Framework 2.3. Methodology and Scope 2.4. Descriptive Tax Expenditure Data 2.5. Tax Expenditure Assessment
18	3 ASSUMPTIONS, METHODOLOGICAL CHOICES AND LIMITATIONS 3.1. Scoring Method 3.2. Equal Weighting, Dependency and Interaction between Indicators 3.3. No Revenue Forgone Assessment 3.4. No Assessment of TE Policy 3.5. Main TE Report and Referenced Material 3.6. Underreporting
23	4 CONDUCTING A GTETI ASSESSMENT 4.1. Step I – Identification of the main TE report 4.2. Step II – Running the GTETI Assessment 4.3. Step III – Reconciliation 4.4. Step IV – Consolidation 4.5. Step V – Reaching Out to Governments
28	APPENDIX 1: AN IDEAL TAX EXPENDITURE REPORT
33	APPENDIX 2: GTETI SCORING SHEET

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LIST OF ABBREVIATIONS

BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung – Federal Ministry for Economic Cooperation and Development	IMF	International Monetary Fund
CEP	Council on Economic Policies	MoF	Ministry of Finance
CIT	Corporate Income Tax	MTRS	Medium Term Revenue Strategy
COFOG	Classification of the Functions of Government	MTS	Medium Term Strategy
DRM	Domestic Revenue Mobilization	OBS	Open Budget Survey
EBP	Executive’s Budget Proposal	OECD	Organisation for Economic Co-operation and Development
EU	European Union	PEFA	Public Expenditure and Financial Accountability
GST	Goods and Services Tax	PIT	Personal Income Tax
GTED	Global Tax Expenditures Database	SDG	Sustainability Development Goal
GTETI	Global Tax Expenditures Transparency Index	TADAT	Tax Administration Diagnostic Assessment Tool
IDOS	German Institute of Development and Sustainability	TE	Tax expenditure
		UNDP	United Nations Development Programme
		US	United States
		VAT	Value Added Tax

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ABSTRACT

Tax expenditures (TEs) are tax benefits that lower government revenue and the tax liability of the beneficiary. Governments worldwide use TEs to pursue different policy goals such as attracting investment, boosting innovation and mitigating inequality. At the same time, TEs are costly (the global average over the 1990-2022 period is 3.8 percent of GDP and 23.0 percent of tax revenue) and often ineffective in reaching their stated goals. They can sometimes be highly distortive and trigger negative externalities.

Yet, despite the fact that TEs have similar effects on public budgets as direct spending, the lack of transparency in the TE field is striking: only 105 out of 218 jurisdictions have reported on TEs at least once since 1990. In addition, the quality, regularity and scope of such reports are highly heterogeneous and, in many cases, do not allow to engage in meaningful discussions on the effectiveness and efficiency of TEs.

The Global Tax Expenditures Transparency Index (GTETI) is the first comparative assessment of TE

reporting that covers countries worldwide. It provides a systematic framework to rank countries according to the regularity, quality and scope of their TE reports, and seeks to increase transparency and accountability in the TE field.

This Companion Paper introduces the GTETI and provides a detailed description of the 5 dimensions and 25 indicators that make up the index. It also discusses the rationale and scope as well as the methodology and assumptions underpinning the GTETI assessment process. The Companion Paper also explains the limitations and issues that the users need to bear in mind when using the index, which is publicly available free of charge on the Tax Expenditures Lab website, www.taxexpenditures.org.

Finally, the normative approach behind the GTETI is illustrated in Appendix 1, where a detailed description of an ideal TE report is provided. Appendix 2 contains the GTETI scoring sheet with a detailed list of all indicators and the required supporting documentation.

1 INTRODUCTION

Tax expenditures (TEs) – also called tax breaks, tax reliefs or tax subsidies – are deviations from a benchmark or standard tax system that provide preferential tax treatment to individuals or businesses. Governments worldwide use TEs widely to pursue different policy goals such as attracting investment, boosting innovation, greening the economy and mitigating inequality. Indeed, when well designed, they can be powerful policy instruments, contributing to governments’ growth and development strategies, including the Sustainability Development Goals (SDGs).¹

At the same time, TEs reduce tax revenue collection, and hence can have a significant impact on public coffers. Rationalizing the use of TEs has a direct effect on tax revenue collection as well as domestic revenue mobilization (DRM) (Celani et al., 2022).

According to the Global Tax Expenditures Database (GTED), during the 1990 to 2021 period covered by the database, the global average revenue forgone due to TEs for the 105 reporting countries stood at 3.8 percent of GDP and 23.0 percent of tax revenue, with figures reaching 9 percent of GDP or more in countries such as Czechia, Finland, Jordan, Puerto Rico, Russia and the Netherlands (Redonda et al., 2023).

Considering the magnitude of TEs, the lack of transparency in the field is striking. On the one hand, as shown by the GTED, the number of countries reporting on TEs has been growing steadily over the years from 6 in 1990 to 92 in 2017 (von Haldenwang et al., 2023). On the other hand, there are still 113 non-reporting countries, i.e. countries that have never issued an official TE report during the period covered by the GTED. Equally worrisome, the scope and detail of most existing reports leave significant room for improvement (Aliu et al., 2023). For instance, information about the fiscal cost (revenue forgone) as well as the policy goals

of TEs is often not disclosed. Likewise, many countries only report aggregated revenue forgone data – mostly by type of tax – and do not detail the policy objectives and the legal basis for TE provisions.

Not only has such opacity a negative impact on transparency and accountability towards citizens, but it also hinders comprehensive TE evaluations and, ultimately, works against sound TE policy making.

Few studies compare TE reporting across countries and their scope is often limited. OECD (2010) assesses the TE reports of 22 member countries. Burton and Stewart (2011) examine the processes and experiences of TE management, including a systematic analysis of TE reporting, but only for Brazil, Chile, India and South Africa. More recently, Kassim and Mansour (2018) evaluate the TE reports of 21 developing and transition economies, using a matrix of dimensions that characterize good practices in TE reporting, and Redonda and Neubig (2018) apply a similar approach to the (by then) 43 G20 and OECD economies. Finally, based on GTED data, von Haldenwang et al. (2021) provide a first global analysis of the significant variation in the quality of TE reporting across countries.

The Global Tax Expenditures Transparency Index (GTETI) moves the discussion about transparency in the TE field to the next level. The GTETI is the first comparative assessment of TE reporting that covers countries worldwide. Building on the data collection and classification developed to construct the GTED, the GTETI provides a systematic framework to rank countries according to the quality of their TE reporting. Countries are not compared according to the amount of revenue forgone they report, or to the many ways they use TEs. Rather, they are assessed on five dimensions that provide a comprehensive and detailed picture of the quality and scope of TE reporting:

¹ The United Nations Development Program (UNDP) has recently launched the Tax for SDGs Initiative, which includes a component on TEs, seeking to work with governments so that they can better align their TE systems with the SDGs – see here: <https://www.taxforsdgs.org/about>.

(1) Public Availability, (2) Institutional Framework, (3) Methodology and Scope, (4) Descriptive TE Data, and (5) TE Assessment.

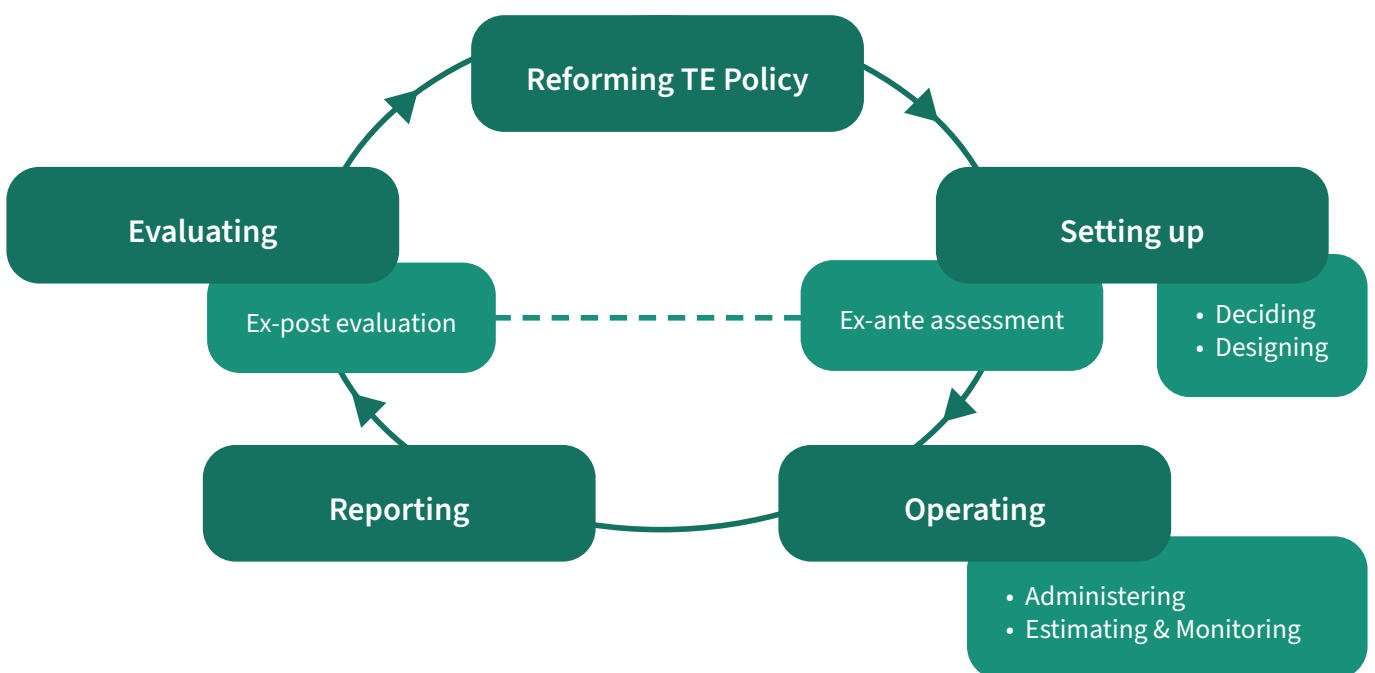
The GTETI is based on the latest available TE report issued by each country. It follows a normative approach, by which the quality and scope of real-life TE reporting is assessed against an ideal TE report. Following this approach, while scoring countries according to the size of revenue forgone or the definition of the benchmark tax system can be highly complex and controversial, the way that the relevant information on TEs should be reported can be assessed in an objective way and, hence, countries can be scored over their performance in this area.

Since this is a key feature within the GTETI methodology, the normative approach is discussed in more detail in the following chapters. For instance, the full score that can be achieved for each indicator is described in Sections 2.1, 2.2, 2.3, 2.4 and 2.5. Further, Appendix 1 discusses the different parts and features that an ideal TE report should have, and presents a template that could be particularly relevant for governments starting to work in this area, but also for those looking into ways to improve their TE reports.

The GTETI aims at increasing transparency and accountability in the TE field, promoting public debate and encouraging governments to improve their TE reporting as a first necessary (though certainly not sufficient) step towards comprehensive evidence-based TE policy making. Consequently, the normative approach introduced here does not only relate to TE reporting. Rather, we understand good reporting to be an integral part of what can be labelled the “tax expenditure policy cycle”. This cycle illustrates the policy-making process underlying the use of TEs by distinguishing five stages. It covers the set-up of TEs, their operation, as well as reporting, evaluation and TE policy reform. Viewed from this integral perspective, it becomes immediately evident that sound TE management requires comprehensive TE reporting.

The rest of the paper is structured as follows: Section 2 provides a detailed description of the GTETI and its five dimensions. It also discusses indicator-specific assumptions and technical challenges. Section 3 presents the key underlying assumptions as well as methodological choices of the GTETI, including scoring. Finally, Section 4 describes the process to run a GTETI Assessment.

Figure 1.1: The Tax Expenditure Policy Cycle



Source: Redonda et al. (forthcoming)

2 FIVE DIMENSIONS AND 25 INDICATORS

The GTETI is structured across five dimensions, each containing five indicators. This section provides a detailed discussion of the five dimensions, their respective indicators as well as the requirements for an ideal scoring. It also discusses the specific assumptions made and technical issues faced at the indicator level to ensure consistency across the assessed countries and, in some cases, to simplify the methodology based on the principle of parsimony.

2.1. Public Availability

This dimension assesses the availability of TE reports to the public. The first two indicators deal with the frequency, regularity and timeliness of TE reporting. TE reporting can be a process with a steep learning curve. In most cases, the quality of TE reports increases over time and the best TE reports are, in general, issued by those countries that have been reporting for the longest periods. Hence, *regularity* is crucial. TE reports should be issued without gaps since the publication of the first report. When it comes to the *frequency* of TE reporting, TE reports should be published annually so that policymakers are informed of the latest changes in the TE field, and also to ensure a smooth integration of TE policy with broader fiscal policy, including the budget cycle (see Dimension 2). Reports that are issued every other year (as in Germany, for instance) do not fully accomplish this goal. For similar reasons, the *timeliness* of the data provided is key. As mentioned before, TE

reporting is not only important as a means to improve transparency and accountability, but also as part of the TE policy cycle. Hence, if a report published in year t provides only data for year $t-3$ (or before), the value of such data for policymaking purposes will be limited.

Besides TE reports being an important tool for decision makers, they should be publicly available, visible and designed in a reader-friendly manner so that other stakeholders can access them and be able to understand the information provided by the report. Indicators, 1.3, 1.4 and 1.5 tackle these issues. *Visibility* measures the extent to which the relevant authorities (Ministry of Finance, tax authority, Parliament, etc.) involved in the TE policy cycle promote the visibility of the TE report, for instance, by issuing a dedicated press release or by creating an online repository where all TE reports are hosted so that stakeholders can keep track of changes over time. *Online accessibility* measures how easy it is to get access to the TE report (and the underlying data) on the websites hosting it. Ideally, underlying data should be available in formats allowing for data analysis such as comma-separated values (.csv) or Excel (.xls), among others. Finally, *Reader-friendliness* assesses if all TE information is consolidated in one single document or rather spread across different reports. It also assesses if the TE report includes an executive summary and whether acronyms are explained. In addition, it captures if there is a version of the TE report that facilitates understanding by visually impaired individuals.

Table 2.1: Public Availability – Indicators Overview and Maximum Score

	Indicator name	Description	Maximum score
1.1	Frequency and Regularity	This indicator evaluates the frequency at which TE reports have been issued, and whether there are gaps, i.e. years where no TE report was issued. The time span covers the last 10 years, or every year after the year of publication of the first report.	The TE report is published on a yearly basis, and regularly, i.e. without gaps once the first report had been issued.
1.2	Timeliness	This indicator assesses whether, at the moment of publication (year t), TE reports contain the most up to date TE data, i.e. data for the previous year (year t-1).	The TE report provides, at least, data for the most recent fiscal year.
1.3	Visibility	This indicator measures the extent to which the relevant authorities (Ministry of Finance, tax authority, Parliament, etc.) promote the visibility of TE reports, for instance, by issuing a dedicated press release, or by creating a repository where all TE reports are hosted.	There is both a press release that is dedicated to the publication of the latest TE report as well as an online repository where all previous TE reports are hosted.
1.4	Online Accessibility	This indicator evaluates the ease with which TE reports (and the underlying data) can be found on official websites.	The TE report can be reached with less than 5 clicks from the homesite, data are available in data analysis format (e.g. xls, csv, etc.), the TE report can be found by searching on the official website using the usual expressions to refer to “tax expenditure”.
1.5	Reader-friendliness	This indicator evaluates the format in which TE data is published, checking key characteristics such as whether the information is consolidated in a single document or spread across different reports, whether the report includes a summary and whether acronyms are explained. It also assesses if countries publish a version of the TE report that facilitates understanding by visually impaired individuals.	The TE report is consolidated in one single document, contains a summary, clearly explains the acronyms used throughout the document, and is issued in a format that facilitates its use by visually impaired individuals (or there is a version of it in such a format).

2.1.1. Key Assumptions, Methodological Choices, and Other Issues

- Indicators 1.1, 1.2, use the date of publication as the main reference to assess reporting regularity and timeliness. The date of publication represents the specific moment in which TE data is made available. Other potentially relevant time references such as country-specific fiscal years are taken into account to determine whether – at the moment of publication – data for a fiscal year could potentially be available (even if only as preliminary estimates).
- Indicator 1.4 regards online accessibility of TE reports on official websites, assessing how easy it is to find the TE report using these websites’ own functionalities. Search engines such as Google, Bing, DuckduckGo, etc. are not considered here. Individuals across the globe use a variety of search engines to obtain online information. Using a single or just a few search engines would discriminate against the others. Moreover, many search engines provide answers that are tailored to the user’s previous searches, and thus the answers resulting from searches conducted by expert consultants would

be considerably different from the results presented to an individual without specific expertise in the TE field. Additionally, a comprehensive search would need to take into account the official language(s) used in the relevant country since search engines tend to perform differently in different languages, rendering possibly discriminatory outcomes. Against this background, indicator 1.4 uses the local language expressions for “tax expenditure” (such as for instance “gastos tributarios” in Spanish), to search for TE reports on official websites.

- With regard to Indicator 1.5, a key decision is the identification of the “main TE report” in those cases where multiple TE reports exist. The main TE report is identified by assessing the scope of revenue forgone data across the different official documents. After having identified the “main TE report”, the indicator assesses whether TE reporting is consolidated by analysing whether there is any revenue forgone data in any separate document that is not referenced in the “main TE report” (see below, Section 3.6). For instance, in countries such as Algeria and Switzerland TE reporting is not consolidated and hence, interested stakeholders need to access different reports and documents, and are then left with the task of combining or consolidating the information to obtain a comprehensive picture of the overall state of TE use.
- Accessibility for visually impaired individuals is considered an important feature of an ideal TE report. In the context of Indicator 1.5, we identified three key features that enhance accessibility for visually impaired individuals: (i) the TE report (or a version of it) is available in a format that allows easy font size adjustment (e.g. html), (ii) the structure of the report is made explicit using sequentially numbered headers, and (iii) colours are used to guide the reader through the document and facilitate reading tables and charts (e.g. section colour, alternating line colours, etc.). If these three accessibility features are provided, we consider that the TE report is

available in a format that facilitates understanding for impaired individuals.

2.2. Institutional Framework

Dimension 2 analyses the institutional framework behind TE reporting. The first two indicators consider the *legal requirement* to report on TEs, which is crucial to minimize discretion. Indicator 2.1 assesses if the requirement clearly states the frequency and timing of reporting. It should also be legally required that the TE report is submitted by the executive to Parliament so that TEs can be scrutinized along with public spending and inform the decision-making process. This is captured by indicator 2.2.

Indicators 2.3, 2.4 and 2.5 assess the institutional framework, including links to the budget cycle as well as the medium-term strategy (MTS).² *Reporting Responsibility* assesses if the responsible institution for TE reporting is clearly stated in the TE report and/or in the legal requirement to report on TEs. This is essential, among other things, to ensure accountability with regard to the whole TE reporting process. The other two indicators seek to capture the integration with broader fiscal policy. The integration of TE reporting with the fiscal policy strategy of the government is vital from both a revenue and spending perspective. Given the size of TEs, accounting for their budgetary impact is crucial. Hence, TE reports should be linked to the government’s MTS by discussing both the fiscal cost of TEs as well as their policy objectives (Indicator 2.5 *Medium-Term Strategy Integration*). At the same time, TE provisions are implemented to pursue different policy objectives. Thus, to ensure policy coherence, *Budget Cycle Integration* measures if there is a holistic assessment of spending programs. Ideally, revenue forgone estimates for each TE should be included in the budget together with the description of the provision, information on the policy objectives, the beneficiaries as well as the classification in terms of functions of government (COFOG, or the one used by

² Terminologies used to refer to MTS vary substantially from one country to the other. Usual expressions include “medium-term revenue strategy”, “medium-term fiscal” or “budgetary framework”, “medium-term revenue” or “fiscal plan”, etc. These documents cover a time span of several years and are typically updated on an annual basis with regard to spending, investment and revenue forecasts. From the point of view of governments, MTS provide a framework for tax policy reform, ensuring the alignment of taxpayer expectations with legal changes affecting economic activity.

the government).^{3 4} The latter is crucial to allow TEs to be classified in a way consistent with direct spending as appropriated by parliament.

2.2.1. Key Assumptions, Methodological Choices, and Other Issues

- Sometimes, the legal requirement to report on TEs assessed by Indicator 2.1 can be an implicit one. For instance, when the TE report is annexed to key budget documentation (e.g. EBP, Budget Law),
- Regarding Indicator 2.3, we assume there are two types of disclosure: factual or as a matter of practice (i.e., in the report) and legal (i.e., in the law). When it comes to the former, if the authorship of a report

we consider the legal requirements of the main document to apply to the annexes as well. As long as the TE report is legally required to be annexed to these budget documents, and such documents need to be prepared annually, we consider that there is a legal requirement to report on TEs as part of the budget process.

Table 2.2: Institutional Framework – Indicators Overview and Maximum Score

	Indicator name	Subject matter	Maximum score
2.1	Legal Reporting Requirement	This indicator assesses whether there is a legal requirement explicitly asking for a TE report to be issued, and if such legal requirement defines a specific period when the report needs to be published.	There is a legal requirement explicitly asking the government to periodically report on TEs.
2.2	Submission to Parliament	This indicator verifies if there is a legal requirement to submit the TE report to the Parliament.	There is a legal requirement to submit the TE report to the Parliament either as an individual document, or e.g., as part of budget documentation.
2.3	Reporting Responsibility	This indicator assesses the existence of a clear attribution of TE reporting responsibility to a specific government agency, ministry or institution.	TE reporting responsibility is clearly attributed either in the legal requirement to report, or in the report itself.
2.4	Budget Cycle Integration	This indicator assesses if TE information (e.g. policy goals, beneficiaries, revenue forgone estimates) is incorporated into the Executive’s Budget Proposal (EBP).	The EBP includes information on TEs going beyond policy goals, beneficiaries and revenue forgone, such as economic sector, distributional analysis, or SDG alignment.
2.5	Medium-term Strategy Integration	This indicator assesses if TE information (e.g. policy goals, revenue forgone estimates) is incorporated into the MTS.	The MTS includes indications or guidelines with respect to policy goals and revenue forgone, e.g. including TEs under overall and sectoral expenditure ceilings and numerical fiscal rules.

³ We base the scoring for this indicator on Question 45 of the Open Budget Survey (OBS) (IBP, 2021, pp. 72–73).

⁴ The Classification of the Functions of Government (COFOG) was developed in its current version in 1999 by the Organisation for Economic Co-operation and Development (OECD) and published by the United Nations as a standard classifying the purposes of government activities.

is indicated, we assume that the responsibility for the contents of the report are also implicitly mandated as matter of practice. If a report is not attributed to any specific government institution, and the relevant legislation only provides a high-level statement calling for a TE report to be issued by “the government”, we assume that the reporting responsibility is not attributed.

- With regard to Indicator 2.4, when possible, we refer to Question 45 of the Open Budget Survey (OBS): “Does the Executive’s Budget Proposal or any supporting budget documentation present information on tax expenditures for at least the budget year?” We follow the OBS methodology and score with an A those countries where information going beyond core elements⁵ is provided within the EBP. For example, this additional information can include types and number of beneficiaries or references to the COFOG classification. Another issue regards the coverage of the OBS, since not all countries covered in the GTETI are assessed by the OBS, e.g. Netherlands, Panama and Puerto Rico. When a country does not have OBS data, we proceed with the analysis of the country by replicating the OBS methodology.
- With regard to the integration of TEs within MTS frameworks, the methodology acknowledges the wide variety of such frameworks across different countries. The Medium Term Revenue Strategies (MTRSs) that have been implemented in an increasing number of countries with the support of the IMF are a case in point but, in general terms, a MTS can be more focused on debt sustainability, budget balance, or fiscal policy reform. As long as the MTS contains fiscal and/or budget policy figures for, at least, the coming 3 or 4 years, the MTS is considered.⁶

2.3. Methodology and Scope

Dimension 3 considers the methodology and scope of TE reporting. Indicator 3.1 *Information on Coverage* assesses which national taxes are included in the report.⁷ In some countries, only a subset of taxes are included, which prevents the report from providing a holistic view of the whole TE system. For instance, the main TE report in the US only covers personal and corporate income-related TEs (PIT and CIT), but no information on other taxes such as sales taxes, inheritance tax, etc. is provided.

Indicators 3.2 and 3.3 deal with two rather technical, yet vital, aspects in the TE field. TEs are defined as deviations from a standard or benchmark tax system. Hence, a clear definition of the reference tax system is crucial to put TE data in perspective. Indicator 3.3 *Structural Reliefs* tackles the distinction between structural and non-structural tax reliefs. Since defining what is part of the benchmark tax system and what is a TE is not always straightforward, some countries (e.g. Canada and the UK) use the structural tax relief concept to identify tax reliefs that are integral parts of the tax system. These tax reliefs serve various purposes, such as “to define the scope of the tax or calculate income or profits correctly.”⁸ In contrast, non-structural tax reliefs (i.e. TEs), are defined as those “actively designed to help or encourage particular types of individuals, activities or products in order to achieve economic or social objectives.” Ideally, the rationale behind the classification of a tax relief as structural or TE should be disclosed at the individual TE provision level, as in the case of the Canadian TE report.⁹

Indicators 3.4 *Revenue Foregone Estimation Method* and 3.5 *Data Sources* assess if the methods, assumptions and data sources used to compute the revenue forgone estimates are disclosed and discussed in detail.

⁵ Under OBS methodology, the core information must include for each TE: “a statement of purpose or policy rationale [...], the intended beneficiaries, and an estimate of the revenue foregone” (IBP, 2021, p. 72).

⁶ A list of the (currently 26) countries that have formulated MTRSs and their respective stages of implementation is provided by the Platform for Collaboration on Tax: <https://www.tax-platform.org/medium-term-revenue-strategy>.

⁷ The GTETI only gathers data on TEs implemented by national governments, as the lack of reliable data on TEs implemented by lower tiers of government is even more severe than in the case of national-level data. This said, a number of cases show that TEs granted by subnational governments can indeed be significant, particularly in federations or highly decentralized countries such as the US, Spain and Switzerland (Li, 2016; OECD, 2020).

⁸ <https://publications.parliament.uk/pa/cm5803/cmselect/cmtreasy/723/report.html>

⁹ See Department of Finance, Canada, 2022, pp. 52–335.

Table 2.3: Methodology and Scope – Indicators Overview and Maximum Score

	Indicator name	Description	Maximum score
3.1	Information on TE coverage	This indicator assesses the coverage of the TE report in terms of types of tax (e.g. CIT, PIT, VAT/GST, excise taxes, etc.) at the national level.	The TE report explicitly mentions that all TEs are covered.
3.2	Tax Benchmark	This indicator analyses if there is a definition of the benchmark tax system and, if so, at what level such definition is provided, e.g. at the individual TE provision, by type of tax, or only a high-level description of what benchmarking is. It also assesses if TEs granted through international treaties (tax treaties as well as trade and investment agreements) are considered in the TE report.	The discussion of the benchmark or standard tax system is provided at the individual TE provision level, and TEs granted through international treaties with tax effects are considered in the report (either as TEs or integrated in the tax benchmark as structural reliefs).
3.3	Structural Reliefs	This indicator captures if the report disentangles structural from non-structural tax reliefs and assesses the scope of the information on structural reliefs (e.g., explanation of the “structural relief” concept, level of disaggregation of the data, revenue forgone estimates).	The TE report clearly defines the “structural tax relief” concept, and provides revenue forgone estimates for structural tax reliefs at the individual provision level or, alternatively, it discloses that the “structural tax relief” concept is not used in the document.
3.4	Revenue Forgone Estimation Method	This indicator covers the extent to which the report provides information on the revenue estimation method used as well as the underlying economic assumptions.	The report clearly states which estimation methods are used at the individual TE provision level, by type of tax, by type of TE or, alternatively, for the whole report. Relevant economic assumptions for revenue forgone estimation are also disclosed.
3.5	Data Sources	This indicator covers the disclosure of data sources used to compute the revenue forgone estimates, and the quality and scope of the information provided.	The different data sources used to compute revenue forgone estimates are clearly disclosed.

2.3.1. Key Assumptions, Methodological Choices, and Other Issues

- The only way to have a comprehensive and accurate overview of all existing TEs in order to assess the coverage of the TE report in a given country is to analyse all tax laws. Since this is not feasible, in Indicator 3.1 we rely on two different types of information: First, we consider any statement or explanation given in the TE report that explicitly discusses its coverage, and second, we assess whether

the main types of taxes levied at the national level are indeed covered in the TE report. For the latter, we rely on external sources (e.g. PwC Tax Summaries,¹⁰ etc.). We thoroughly search TE reports for clear statements that all available TEs are assessed. When such a statement is found, the contents of the report are nevertheless checked to verify that all main types of taxes available at national level are covered. If despite a statement of complete coverage we observe that one or more types of taxes are not covered in the report, the lower score “D” is assigned.

¹⁰ See <https://taxsummaries.pwc.com/> (accessed 28.09.2023).

- Regarding Indicator 3.2, we consider that the tax benchmark should be described at the individual TE provision level. Ideally, the description of the benchmark tax system should include information about what the tax treatment would have been in the absence of the TE, and how the tax treatment changes due to the implementation of the TE provision. Likewise, we expect that every country where international treaties with tax effects are in force either includes the respective TEs in the report, or explicitly states why preferential tax provisions available under applicable treaties are not considered.
- Both Indicator 3.1 and 3.3 present the challenge of unobservable exclusions or counterfactuals, i.e. how can we be sure that no relevant provision is excluded from the report? In the case of Indicator 3.3, the issue regards those provisions that are deviations from the standard tax schedule, but not classified as a TE since they are considered an integral part of the tax system. To give an example, most countries exempt micro or small enterprises below a certain volume of sales from CIT for reasons of tax simplicity. In most cases, such “structural reliefs” are either completely disregarded or included in the benchmark tax description without any estimates of revenue forgone. We assume that all countries apply such “structural tax reliefs”, even if these are often integrated in the benchmark tax system without making a clear distinction. Unless a report explicit states that no provision has been excluded and classified as a structural relief (or that all provisions are considered TEs), we consider that the report disregards existing structural reliefs rather than assuming that they do not exist. The same applies to cases where there is no explanation of the benchmark or the methodology.
- Concerning Indicator 3.4, while the GTETI does not discriminate with regard to the methods chosen by each country to estimate revenue forgone, it does expect the methods as well as the relevant underlying assumptions to be clearly identified.

Estimation methods should be clearly discussed in general (for all TEs), or by type of tax or type of TE, or (even better) at the individual TE provision level. In addition, all relevant economic assumptions should be stated. For instance, the report should indicate to what extent potential changes in taxpayers’ behaviour are taken into consideration. TE reports providing revenue forgone forecasts or projections should specify underlying assumptions about economic development and growth rates.

- Regarding Indicator 3.5, the key requirement is that data sources are clearly disclosed. For this indicator, we prioritize clarity in the disclosure of the data sources rather than the level of disaggregation. If there is only one data source and it is clearly disclosed for all TEs, that may be sufficient to get the highest score ‘A’. When different sources exist, but the report does not clearly differentiate them and does not discuss the extent to which they are used, or selectively informs about some data sources, we consider that data sources are not fully specified. When there are various sources, all tables and figures should specify source, and if different sources are used, an explanation of how they are used is expected.

2.4. Descriptive Tax Expenditure Data

The revenue forgone stemming from TEs is one of the main pieces of information that TE reports should provide. This said, besides revenue forgone estimates, the quality and scope of the background information is crucial to put those figures in context. This is captured by Dimension 4.

Ideally, on top of revenue forgone estimates, a TE report should disclose the *Policy Objective* (Indicator 4.1), the *Type of Tax and Type of TE* (Indicator 4.2), the group and number of targeted *Beneficiaries* (Indicator 4.3), the relevant *Timeframe* (Indicator 4.4), as well as the *Legal Reference* (Indicator 4.5) for every single TE provision.

Table 2.4: Descriptive Tax Expenditure Data – Indicators Overview and Maximum Score

	Indicator name	Description	Maximum score
4.1	Policy Objective	This indicator assesses the extent (share of total revenue forgone) up to which TE policy objectives are disclosed.	Information on policy objectives at the individual TE provision level provided for all TEs (covering 100% of total revenue forgone).
4.2	Type of Tax and Type of TE	This indicator assesses the extent to which the type of tax as well as the type of TE (e.g. deduction, tax credit, reduced rate, deferral, etc.) are specified for each TE.	Information on both the type of tax as well as the type of TE are provided at the individual TE provision level.
4.3	Beneficiaries	This indicator measures whether the TE report provides information regarding the beneficiaries of TE provisions, both looking into the number of beneficiaries as well as the targeted beneficiary groups or intended beneficiaries.	Information on targeted beneficiaries as well as number of beneficiaries at the individual TE provision level provided for all TEs (covering 100% of total revenue forgone).
4.4	Timeframe	This indicator assesses if there is information on the timeframe of TE provisions, e.g. implementation date, sunset clause (expiry date), timeline with relevant changes, etc.	Information on the timeframe is provided at the individual TE provision level.
4.5	Legal Reference	This indicator covers information regarding the legal provision (tax code, tax law, or similar, including references to the specific article, section, etc.) upon which TEs are granted.	Information on the specific legal basis of TEs at provision level provided for all TEs (covering 100% of total revenue forgone).

2.4.1. Key Assumptions, Methodological Choices, and Other Issues

- For indicators 4.1, 4.3, and 4.5, we calculate the share (percentage) of revenue forgone for which the respective key data are specified. We chose this option over the share of total TE provisions due to the disproportionate impact that certain provisions can have. In many countries, revenue forgone stemming from the 10 largest TE provisions accounts for 70 percent (sometimes even more) of the total (von Haldenwang et al., 2023). Against this background, the indicators prioritise the disclosure of relevant information for the largest TEs (in terms of revenue forgone) over larger numbers of TE provisions with less impact on public coffers.
- Due to heterogeneous reporting practices across countries, we take a different approach for indicators 4.2 and 4.4. For instance, regarding Indicator 4.2, several reports pool TE provisions by type of tax or type of TE. We prioritize information on the type of tax over information on the type of TE (e.g. deduction, tax credit, exemption etc.). The full score is given to countries that systematically indicate for each TE provision both the type of tax and the type of TE.
- Regarding Indicator 4.4, some countries systematically disclose the dates of introduction and expiration (if any) of TEs, but some countries only provide partial information on this relevant aspect. In the latter case, it is not possible to deduce that all TEs for which no such information is provided are permanent. Hence, we assume that unless a TE has a clear indication of timeframe, there is no timeframe information for that TE.

- Regarding Indicator 4.1, we believe that a detailed policy goal is one of the key pieces of information that a TE report should provide (together with revenue forgone estimates). However, the indicator accounts for the fact that descriptions of policy objectives differ widely across countries. For instance, if a TE provision is classified under the category “housing”, we interpret this as if the policy goal was “promotion of the housing sector”.
- Regarding Indicator 4.3 *Beneficiaries*, the assumption is that all TEs should target identifiable beneficiaries. If the government cannot identify the expected beneficiaries (or groups of beneficiaries), the impact of the TE provision will be very hard (if not impossible) to assess. Groups of beneficiaries can be rather broad, such as corporations/households/individuals, or highly specific, for instance referring to age, gender, region, business size, economic sector, or combinations of such categories. In addition, the number of beneficiaries is another relevant piece of information, for instance, to compute take-up ratios and conduct incidence analyses. Therefore, we expect that both the beneficiary target groups as well as the number of beneficiaries are reported, not only for direct taxes but also for indirect taxes.
- Regarding Indicator 4.4, we observed that most TE reports either provided information on the timeframe for all TEs, or they did not provide such information at all. In some cases, though, information on the timeframe was provided for a specific TE, but there was no information for the rest of the provisions. We hence divided the possible cases in three: i) information on the timeframe is specified for all TEs, ii) information on the timeframe is shown inconsistently, or iii) no information on the timeframe is provided.

2.5. Tax Expenditure Assessment

Dimension 5 assesses TEs not only in terms of the revenue forgone they trigger, but also with respect to their evaluation, which is key to identify which TEs provide “value for money” and which ones are not effective or even trigger negative externalities that should be taken into account.

The first three indicators deal with revenue forgone estimates. Indicator 5.1 assesses if the estimates are provided at the individual TE provision level, which as mentioned before, is key for several reasons (e.g., for TE provisions to be evaluated). Indicators 5.2 and 5.3 capture if revenue forgone estimates provide backward-looking figures as well as forward-looking projections, respectively. This is important to track changes over time as well as to plan ahead (e.g., in the context of MTSS).

The last two indicators tackle the issue of TE evaluations. TE *Evaluation Framework* assesses if there is a framework for periodic or systematic TE evaluations (e.g., specifying responsibilities, timing and data requirements). Finally, Indicator 5.5 ascertains whether TE evaluations are included or referenced in the TE report.

Table 2.5: Tax Expenditure Assessment – Indicators Overview and Maximum Score

	Indicator name	Description	Maximum score
5.1	Disaggregation of Revenue Forgone Estimates	This indicator assesses the share of total revenue forgone estimates provided at the individual TE provision level, or the provision of overall estimates, e.g. grouped by type of tax or policy goal.	Revenue forgone estimates provided at the individual TE provision level for all TEs (covering 100% of total revenue forgone).
5.2	Backward Revenue Forgone Estimates	This indicator assesses the extent to which backward revenue forgone estimates are provided in the latest TE report.	Backward revenue forgone estimates are provided in the latest TE report (published in year t) for at least the last 5 years (t-5).
5.3	Forward Revenue Forgone Forecasts	This indicator assesses the extent to which projections of future revenue forgone are provided in the latest TE report.	Projections of revenue forgone estimates are provided in the latest TE report (published in year t) for at least the next 5 years (t+4).
5.4	TE Evaluation Framework	This indicator captures if the report introduces the TE evaluation framework or, if the framework is not discussed in the report directly, includes a reference to an external framework document.	A description of the existing evaluation framework (including both ex-ante assessment as well as ex-post evaluation) is either provided in the TE report itself, or clearly referenced in it.
5.5	Availability of TE Evaluations	This indicator assesses the extent (share of total revenue forgone) up to which TE evaluations are included or referenced in the report.	Information on evaluations of individual TE provisions for all TEs (covering 100% of total revenue forgone) is either provided in the report itself, or clearly referenced in it.

2.5.1. Key Assumptions, Methodological Choices, and Other Issues

- Indicator 5.1 intends to capture the different formats in which revenue forgone is presented, from the least aggregated (only the total value of revenue forgone is reported) to the most disaggregated (revenue forgone data is presented by TE). In between, we acknowledge countries that provide revenue forgone in a partially disaggregated manner, for instance, by policy objective. Intermediate scores assess whether revenue forgone is disaggregated following one or more of the main categories used in the GTED: (i) Type of tax, (ii) type of TE, (iii), type of beneficiaries, and (iv) policy objective. Importantly, this indicator focuses on the format in which revenue forgone data is provided, without assessing whether revenue forgone values are effectively provided for every single TE for a given year. Indeed, it is common that specific TEs are listed but no revenue forgone data is provided, for instance because no data was available at the time of the preparation of the report.
- Regarding Indicator 5.2, we assume that providing revenue forgone estimates for the last 5 years is the minimum to have an overview of the evolution over time of the provision. Likewise, forward looking projections for at least 5 years including the reporting year (i.e., until t+4) are required in order to be consistent with the timeframe usually covered by MTSSs.
- Concerning Indicator 5.4, to get a full score, the report should describe the framework for ex-ante and ex-

post evaluations. We define TE evaluation as an assessment of the expected or observed outcome of a TE, considering its fiscal cost as well as its potential effectiveness in achieving its policy objectives.

- Regarding indicator 5.5, we argue that it is good practice for a government to evaluate all TEs at least once during the political cycle. We hence look at all TE evaluations published (or referenced) in TE reports over the past 5 years. This indicator focuses on information about TE evaluations themselves. In order to qualify as a TE evaluation, the analysis has to indicate the basis upon which the TE (or group of TEs) is being evaluated, and it must present some

statement with regard to the effectiveness or impact of the TE. By calculating the revenue forgone that has been subject to evaluation (over the last 5 years), we assess the share of the total revenue forgone in the last TE report which has been evaluated. This metric allows us to compare the extent to which information on TE evaluations is available within the TE reports published in the last 5 years (or referenced therein). If several evaluations cover the same TE within the 5 year time frame, we only consider the most recent evaluation, in order to avoid double counting. A lower score is obtained if groups of TEs are evaluated without providing insights on individual TEs.

3 ASSUMPTIONS, METHODOLOGICAL CHOICES AND LIMITATIONS

The GTETI provides a systematic framework to compare countries worldwide according to the quality and scope of TE reporting practices, based on the five dimensions introduced in Chapter 2. In this chapter, we discuss general assumptions, methodological choices and limitations of our approach:

3.1. Scoring Method

The assessment of indicators follows a similar approach to that applied in the Tax Administration Diagnostic Assessment Tool (TADAT).¹¹ As in the TADAT framework, each of the 25 GTETI indicators is assessed separately (TADAT Secretariat, 2015). The overall score for a dimension is based on the assessment of the individual indicators of the dimension. Most of the indicators are scored on a four-point ‘ABCD’ scale according to specific scoring criteria discussed in the previous chapter and, more in detail, in the GTETI Scoring Sheet (see Appendix 2). Yet, unlike TADAT, in some cases the scoring structure of the GTETI is modified. For instance, for indicators based on “Yes/No” questions, there are only two possible scores: A and B. To give an example, Indicator 2.2 Submission to Parliament gets a score A if the TE report must be submitted to the parliament, either individually or together with other budget documentation; and a score B if there is no indication of a requirement to submit the TE report to parliament. Likewise, some indicators provide more than four scoring options. For instance, Indicator 5.1 *Disaggregation of Revenue Forgone Estimates* is scored based on a six-point ‘ABCDEF’ scale, as follows:

- A. Revenue forgone estimates are reported by TE for all types of taxes
- B. Revenue forgone estimates are reported by TE for MOST types of taxes and with aggregates for other types of taxes
- C. Revenue forgone estimates are reported by TE for SOME types of taxes and with aggregates for other types of taxes
- D. Revenue forgone estimates are reported aggregated by 3 or 4 out of 4 GTED classification categories¹²
- E. Revenue forgone estimates are reported aggregated by 1 or 2 out of 4 GTED classification categories
- F. Only a total estimate of revenue forgone is reported

The interpretation of the scoring scale follows from the conversion formula presented in Box 1. The ideal scenario is always allocated to the score ‘A’. The other extreme, the worst possible scenario, is always allocated to the lowest available score (‘F’, ‘D’, or ‘B’, depending on the case). The rest of the available options (4: ‘B’, ‘C’, ‘D’ and ‘E’, or 2: ‘B’ and ‘C’, depending the case) cover the rest of the possible scenarios, based on the pre-defined criteria for each scoring outcome.

Based on the four-point ‘ABCD’ scale, the interpretation of the scoring scale is as follows:

- ‘A’ denotes a performance that best meets the requirements of an ideal scenario. It is based on existing literature and expert views, including those that have been consulted at different stages of the GTETI elaboration process.¹³

¹¹ Further details about the TADAT framework can be found here (<https://www.imf.org/en/Capacity-Development/Training/ICDTC/Courses/TADAT>).

¹² The four classification categories are: i) Type of tax, ii) Type of TE, iii) Policy goal, and iv) Beneficiaries

¹³ Prior to the official launch of the GTETI in October 2023, two technical meetings were organized in October and December 2022.

- ‘B’ represents sound performance (i.e. a healthy level of performance but below the ideal scenario) – some of the conditions needed for an ‘A’ are not met.
- ‘C’ means weak performance relative to the ideal scenario – some of the requirements needed for a ‘B’ or higher are not met.
- ‘D’ denotes inadequate performance, and is applied when the requirements for a ‘C’ score or higher are not met. Furthermore, a ‘D’ score is given in certain situations where there is insufficient information available to determine the level of performance.¹⁴

There are two different groups of indicators based on a quantitative assessment:

1. For indicators 4.3, 5.1 and 5.5, the quantitative criteria are split into three options: SOME = <50%, MOST = 50-99%, and ALL =100%.

2. Indicators 4.1 and 4.5 are split into four options: SOME = <50%, MANY= 50-74%, MOST = 75-99%, and ALL =100%.

The reason is that for the first group we combine the quantitative criteria with qualitative criteria. Hence, adding one additional option for the quantitative aspect would significantly increase the complexity of the scoring system.

Once all indicators are scored independently, the GTETI scores allocated to each indicator are converted into a numerical scale at the level of the five dimensions. Each dimension can be scored with a maximum of 20, and each of the 5 indicators within each dimension with a maximum of 4 (see Box 1). Since the GTETI is based on a full equal weighting approach (see Section 3.3), the final overall GTETI score ranges from 0 (worst possible score) to 100 (best possible score).

Box 3.1. Conversion Formula

This box describes the formula that applies to all the 25 indicators individually to convert the scores (based on an ‘ABCD’-type of scale) into a numerical scale ranging from 0 (minimum) to 4 (maximum). It also describes how the scores of each dimension as well as the overall GTETI score are computed.

First, a numerical score of 0 is allocated to the lowest possible score for a specific indicator, e.g ‘D’ in a four-point ‘ABCD’ scale. Then, the distance between the minimum score and the maximum score (4) is cumulatively divided between the remaining scoring options (‘A’, ‘B’ and ‘C’, following the same example), starting with the second last option (‘C’, in this case). Hence, the formula four-point ‘ABCD’ scale is as follows:

$$\begin{aligned}
 D &= 0, \\
 C &= 1 * (4/3) = 1.33, \\
 B &= 2 * (4/3) = 2.66, \text{ and} \\
 A &= 3 * (4/3) = 4
 \end{aligned}$$

When there are only two possible scores (e.g. in the case of indicator 2.2), the total score 4 is assigned to the positive answer (“the TE report must be submitted to Parliament”), and a score of 0 is assigned to the negative answer (there is no such requirement). Hence, the formula for a Yes/No type of question is as follows:

$$\begin{aligned}
 B &= 0, \text{ and} \\
 A &= 4/1 = 4
 \end{aligned}$$

The scoring of each dimension is then computed by simply adding the numerical score of each indicator within the dimension. Likewise, the overall GTETI score is computed by simply adding the scores for the five dimensions.

¹⁴ This is particularly relevant for indicators 2.1 Legal Requirement (if there is no information on the law within the TE report and the law could not be found after a reasonable search, the score of indicator 2.1 =D), and 3.1 Information on TE coverage (if there is no information whatsoever on types of taxes covered and TEs are only reported by name, then the score of indicator 3.1=F).

3.2. Equal Weighting, Dependency and Interaction between Indicators

For most aggregated indexes, weighting is one of the main methodological challenges.¹⁵ The GTETI is based on equal weighting across as well as within dimensions, i.e. the 5 dimensions are equally weighted and the 5 indicators within each dimension as well. This choice was made for the sake of simplicity and methodological parsimony. However, it has some implications that are worth mentioning.

First, it is possible to argue that some dimensions or indicators should have a higher weight than others (differential weighting). For instance, as mentioned above, revenue forgone estimates are a core piece of information of TE reports. It is crucial that these estimates are provided at the individual TE provision level. A report that only provides aggregated information (e.g. by type of tax) is not very informative and, more importantly, does not allow TE provisions to be properly assessed. Against this backdrop, one could argue that Indicator 5.1 should be given a higher weight. While this may appear to be a relatively intuitive approach (given the relevance of revenue forgone estimates), the question of *how much* additional weight would be justified in this case (or how much less weight in the case of other indicators) is already much more complicated and will likely involve a set of rather arbitrary decisions. As a result, differential weighting would significantly increase the overall complexity of the GTETI. This, in turn, would limit the intuitive appeal and usefulness of the index for stakeholders who are not experts in the TE field. Hence, it would jeopardize one of the main goals of the project: to increase transparency in the TE field.

Second, some indicators may interact with each other. For example, the level of aggregation of the information provided in the report affects more than one indicator. As shown above, Indicator 5.1 *Disaggregation of Revenue Forgone Estimates* explicitly captures the level of aggregation of revenue forgone estimates. Countries

with disaggregated information receive a higher score. This is also the case for Indicators within Dimension 4. *Descriptive TE Data* that gives higher scores to countries providing disaggregated information on policy goals, type of tax and type of TE, beneficiaries, timeframe and legal reference. Since the level of aggregation of this type of information tends to reflect the level of aggregation of the revenue forgone estimates in many reports, one could argue that the former affects the latter or, even worse, that the respective indicators essentially measure the same phenomenon. We hold, however, that the GTETI dimensions and indicators each capture relevant aspects of good TE reporting that have a significance on their own, independently from each other. Also, values obtained by different countries for different indicators show sufficient variation to justify our choice of indicators.

3.3. No Revenue Forgone Assessment

Unlike the GTED, the GTETI does not consider the magnitude of TEs as measured by revenue forgone estimates. Countries are not ranked according to the amounts of revenue forgone they report. These estimates are, however, considered to evaluate the degree of detail and precision of different pieces of information in the TE reports. For instance, Indicator 4.1 assesses the share of total revenue forgone for which the policy objective is disclosed.

Likewise, given huge variations in tax systems and the size of the public sector, we see the challenges of harmonizing TE policies (e.g. with regard to benchmarking definitions) at an international scale. However, we do believe that it is possible to agree on good TE reporting standards and best practices. The GTETI puts forward a set of such standards that could and should be adopted by countries worldwide.

In other words, the GTETI does not score countries over the size of the revenue forgone stemming from the use of TEs, nor over benchmarking decisions or definitions.

¹⁵ Other indices in related fields that face, up to a certain extent, similar methodological challenges are the Open Budget Index by the International Budget Partnership (<https://internationalbudget.org/open-budget-survey/>, accessed 28.09.2023), and the Financial Secrecy Index by the Tax Justice Network (<https://fsi.taxjustice.net/>, accessed 28.09.2023).

Instead, the GTETI scores countries' TE reporting over a set of objective indicators defining what TE reporting should look like in an ideal case.

3.4. No Assessment of TE Policy

The GTETI provides a framework to assess TE reporting across countries. On the other hand, it does not score TE policy making in terms of its design or desirability. For instance, while dealing with TE evaluations, the GTETI does not score countries according to the outcomes of these evaluations, but rather based on the extent up to which the minimum information regarding such evaluations is provided (or referenced) within the TE report.

As mentioned above, we believe that transparent and comprehensive TE reporting is a key element of the TE policy cycle and, hence, a necessary (although not sufficient) step towards sound evidence-based TE policy making. Against this background, we do expect countries that score high on the GTETI to also have TE regimes that better serve their stated purpose. However, analysing these kinds of relationships goes beyond the GTETI itself and should rather be seen as an avenue for future research.

3.5. Main TE Report and Referenced Material

Some countries issue multiple TE reports where revenue forgone data is not consolidated in one single report, but rather scattered across several reports or secondary documents. For instance, in the Philippines, Ireland and Switzerland not all relevant TE information is explicitly included in the main TE report, but can be found in several secondary documents.

In those cases, the GTETI only assesses the "main TE report". Hence, a key decision to be made in the respective GTETI assessment regards the identification of the main TE report. The main TE report is identified by assessing the scope of revenue forgone data across the different official documents. For this purpose: (i) we prefer reports containing at least one year of backward revenue forgone estimates (i.e. estimates

based on recorded tax information instead of forecasts or projections), (ii) we assess the total value of revenue forgone associated with reported TEs, (iii) we assess the level of disaggregation of TE data (preferring data at the individual TE provision level over aggregated figures) and the detail of descriptive information for each TE.

When it comes to the information that is not included in the main TE report, as long as such additional information is clearly referenced in or linked to the report, we do our best to include it in the GTETI assessment. Usual referenced pieces of information can include:

- a. Publicly available underlying data (.xls, .csv etc.) – relevant for 1.4 *Online Accessibility*
- b. Legal basis for TE reporting – relevant for 2.1 *Legal Requirement* and 2.2 *Submission to Parliament*.
- c. Budget documentation and Medium-Term Strategy – relevant for 2.4. *Budget Cycle Integration* and 2.5 *Medium Term Strategy Integration*.
- d. Methodology used for TE assessment – relevant for 3.2 *Tax Benchmark*, 3.3 *Structural Reliefs* and 3.4 *Revenue Forgone Estimation Method*.
- e. TE evaluations – relevant for 5.4 *TE Evaluation Framework* and 5.5 *Availability of TE Evaluations*.

3.6. Underreporting

The GTED only inputs revenue forgone data from official and publicly available TE reports (Redonda et al., 2021). This is also how the GTETI proceeds. We do not assess TE reports produced by third party sources, e.g. international organisations or other research institutions, unless the government is directly involved, e.g. by commissioning such reports and authorising their publication. One of the issues that this approach triggers regards underreporting and its impact on the GTETI coverage. There are two main sources of under-reporting: first, even when TEs are used widely worldwide, several governments do not report on TEs (113/218 according to the latest GTED data, see

Redonda et al., 2023), which directly limits the scope and coverage of the GTETI. Second, even for reporting countries, it is very difficult (if not impossible) to assess how comprehensive TE reports are. The scope of what governments include in the reports depends on several aspects including, in many cases, a high degree of discretionality. This type of underreporting is directly related to Indicator 3.1. *Information on TE Coverage*. As discussed before, having an accurate picture of the counterfactual (the total range of existing TE provisions) in a specific country is a daunting task, and goes beyond the scope of this initiative. Hence, Indicator 3.1 relies on two different types of information: the existence of a disclosure statement of coverage in the report, and an assessment of whether the main types of taxes available at the national level are indeed covered in the TE report.

4 CONDUCTING A GTETI ASSESSMENT

As shown in Figure 2, to minimize the likelihood of human errors, we designed a multiple-step process to assess countries in an objective way.

The focus of the GTETI is on TE reporting. Yet, some indicators use data sources beyond the specific TE report itself. For instance, Indicators 2.4 *Budget Cycle Integration* and 2.5 *Medium-Term Strategy Integration* do not assess the TE report itself, but rather whether TE-related information (which is usually included in the TE report) is integrated into budget documents and medium-term strategies. This said, most of the indicators look into the TE report itself, and hence Stage I of the GTETI assessment regards the identification of all countries that have published an official TE report in the last ten years.

4.1. Step I – Identification of the main TE report

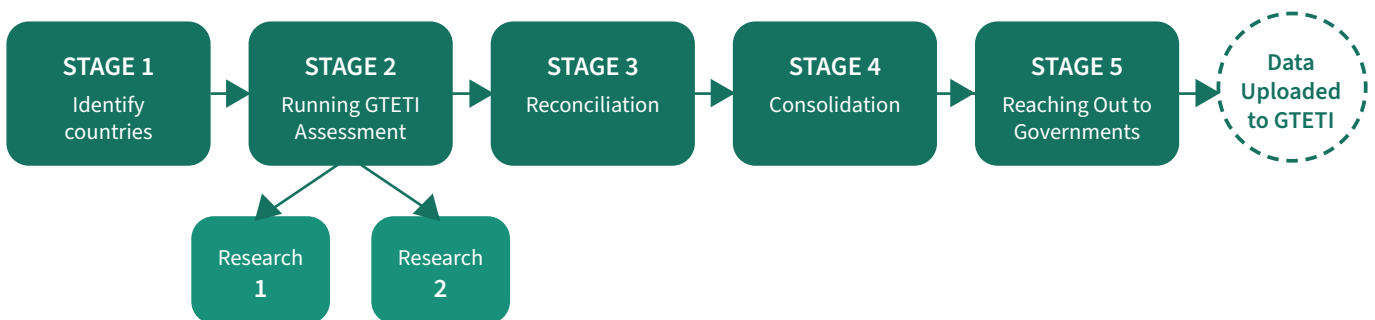
Regarding identification of the *main* TE report to be assessed, the GTETI builds on the work done by the GTED. The GTED gathers all official and publicly

available data on TEs worldwide, and continuously identifies and updates the available information for reporting countries (Redonda et al., 2021).

Two technical differences between the GTED and GTETI methodologies are worth discussing. First, whereas the GTED gathers all existing data published since 1990, the GTETI only assesses the latest TE report issued within the last 5 years.¹⁶ Consequently, a country can be included in the GTED but not considered in the GTETI. To give an example, Nicaragua issued its latest TE report in 2010. Hence, whereas it figures among the reporting countries in the GTED, Nicaragua is not assessed in the GTETI.

The second difference concerns the identification of the main TE report. The main goal of the GTED is to provide a comprehensive overview of the fiscal cost of TEs in every country. Hence, if multiple TE reports exist, the GTED prioritises covering as much data as possible over the negative impact that the existence of multiple documents can have on transparency. This is different for the GTETI, whose main objective is to assess the quality of TE reporting, with a focus on transparency.

Figure 4.1: GTETI Multi-stage Assessment Process



¹⁶ For the first edition of the GTETI, released in October 2023, only TE reports published between January 1, 2018, and December 31, 2022, are considered.

Thus, as discussed in Section 2.1.1, the consolidation of all TE information in a single document (the main TE report) is a key factor, which is captured by Indicator 1.5 *Reader-friendliness*.

To summarize, the main sources of information considered for the GTETI assessment are:

- The main TE report and all relevant additional information explicitly referenced therein (including methodology and other secondary documents)
- Laws and regulations (including publicly available decrees, directives, circulars, etc., as well as third party legal sources providing relevant country-specific analysis)
- Official budget documentation (including budget proposals, and strategy documents)
- Official evaluation documents (including those published by government bodies or agencies)

Once the countries subject to assessment and their main TE reports (including relevant secondary documents explicitly referenced in the TE report) are identified, the GTETI assessment (Stage II) is triggered.

4.2. Step II – Running the GTETI Assessment

First, each country is assessed by two different analysts evaluating the quality of TE reporting by filling in the GTETI Scoring Sheet and providing references to publicly available documents, when needed.

To run the GTETI assessment, each analyst proceeds to fill in the GTETI Scoring Sheet indicator by indicator, and based on the GTETI Country Assessment Guidelines. The GTETI Scoring Sheet is an excel spreadsheet with 25 questions (one question per indicator). Whereas some questions are defined as Yes/No type of questions (e.g. *Is there a legal requirement to report on TEs?*, for Indicator 2.1), others require processing data or information provided by the report, which may include calculating shares in some cases. For instance, the question for Indicator 4.1 reads *“To what extent is information on the policy objective(s) of available TEs included in the TE report?”*. To answer this question, the analyst needs to: i) identify or compute total revenue forgone, ii) compute total revenue forgone for TEs with disclosed policy objective(s), and calculate the share that needs to be reported as the final answer (See Box 4.1.). By going through this process, the analyst needs to provide all relevant sources of information and is encouraged to leave any comments that might be useful to conduct the GTETI assessment.

Box 4.1. Filling in the GTETI Scoring Sheet

The internal GTETI Country Assessment Guidelines provide detailed guidance for analysts to run a comprehensive GTETI assessment indicator by indicator. To illustrate the degree of detail of the guidelines, two excerpts are shown here based on Indicators 2.1 Legal Requirement and 4.1 Policy objective.

1. Indicator 2.1 Legal Requirement

This indicator assesses whether there is a legal requirement explicitly asking for a TE report to be issued, and if such legal requirement defines a specific period when the report needs to be published. Such a legal requirement shall be a concrete clause included in the law, a legal mandate, or a ministerial or parliamentary order to produce such report. Hence, the document may be a law or act, a regulation, a decree, a circular, a parliamentary enquiry or order, etc.

We use two criteria to qualify and score this indicator:

- Criteria 1 [Specificity]: We assess whether there is an obligation to specifically report on TEs. This is different, for instance, from an obligation to provide necessary documentation to support budget transparency, or an obligation to report on expenditures, in general. Yet, if the latter includes a specific reference to “tax expenditure” reporting, we consider that there is a *specific legal requirement* to report on TEs. Otherwise, there is a *general legal requirement*.

- Criteria 2 [Periodicity]: We consider if the legal requirement to report on TEs calls for regular/periodic reporting. Alternatively, the legal requirement can define a one-off, ad hoc obligation. If there is a clear indication that the reporting obligation is recurrent in time, we consider the legal basis to define a periodic reporting obligation. If the legal basis appears to be limited to a one-off reporting exercise, we consider it an ad hoc/one-off/punctual obligation to report on TEs.

Finally, analysts proceed to combining criteria 1 and 2 as follows:

- A) [Specificity]: Yes + [Periodicity]: Yes
- B) [Periodicity]: Yes
- C) There is a legal requirement to report on TEs disclosed in the TE report, but it does not entail a specific ([Specificity]) or periodic ([Periodicity]) requirement.
- D) The legal basis is not disclosed [and no legal basis has been found within the time limit pre-defined in the research guidelines]

Research Guidelines:

- The first step regards the identification of any references to the legal requirement within the TE report. These references are usually found in the introductory paragraphs of the report, in the text or in a footnote – or sometimes even on the website where the TE report is published.
- If no reference is provided in the report, the second step regards checking: (i) specific TE reporting laws that are not mentioned in the report itself, (ii) budget laws (including procedure laws and regulations), (iii) government transparency or accountability laws.
 - For EU Member States: Art 14.2 of Directive 2011/85/EU mandates that “Member States shall publish detailed information on the impact of tax expenditures on revenues”. To find the relevant laws in EU member state that transpose this obligation into national law, please consult [this link](#).
- Main places where to look for laws:
 - Parliament or Government law repository
 - Ministry of Finance website – laws and regulations section
 - Tax Authority – laws and regulations section
- If no reference to the legal framework is made in the TE report, please limit the length of the research to three hours. After that, please select (D) and inform the GTETI core team.

2. Indicator 4.1 Policy Objective

A clear description of the specific policy objective that motivates a TE is crucial not only to understand what goals the government is trying to achieve through its implementation, but also to define an evaluation strategy, e.g. based on impact evaluations or cost-benefit analysis.

As long as the policy objective is reasonably clear, we do accept any definition provided by the country, even if the definition is rather general. On the other hand, if only a very broad policy objective is provided for all (or for some groups of) TEs, e.g. “VAT rate reductions to promote economic growth” without disclosing specific policy objectives for different TE provisions, the indicator is scored ‘D’. In cases where no information on policy objectives is provided in the TE report, the corresponding answer is ‘E’.

To conclude that policy objectives are stated “by TE”, we must observe one of the following two features:

- (i) TE provisions are listed individually, and there is an explicit classification based on different policy objectives (e.g. Portugal, p37, 3rd column), or
- (ii) Individual TEs are grouped by policy objective (e.g. United States, p3-21).

When policy objectives are presented by TE, we distinguish between scoring options (A) to (D) by evaluating the share of total revenue forgone accounted for by all TE provisions with a stated policy objective, as follows:

$$\frac{(\sum RF^{PO})}{(\sum RF)}$$

Where RF^{PO} is the revenue forgone for a TE provision with a stated policy goal attached, and $\sum RF$ is the total revenue forgone presented in the report (or the best possible approximation).

After having calculated this share, the indicator is scored as follows:

- A. ALL: 100% of revenue forgone has a stated policy objective
- B. MOST: 75%- 99% of revenue forgone has a stated policy objective
- C. MANY: 50% - 74% of revenue forgone has a stated policy objective
- D. SOME: less than 50% of revenue forgone has a stated policy objective.

Additional input: In cases where the latest TE data has been updated on the GTED database, analysts are encouraged to consult the GTED inputs document, where an approximation of the share of revenue forgone with stated policy objective ($RF_{share_withPOB}$) is available. Please note that this variable serves as a reference only, and consultants need to calculate the share using the data in the TE report itself.

The two separate assessments are then reconciled by the GTETI core team (Stage III).

4.3. Step III – Reconciliation

Once the two independent assessments are finalized, the GTETI core team goes through the scoring outcome and checks if there is consistency between the two different sets of scores. In case of discrepancies, the GTETI core team needs to intervene. If the GTETI team decides that the final call is straightforward (for instance, in case of an erroneous calculation), a decision is recorded in the document where both assessments are stored, and a statement is added to justify the respective score. If there is no straightforward choice, both analysts are asked to provide further clarification (rationale, documentation that might be missing, etc.) about their decision so that a more informed decision can be taken. The outcome of the reconciliation process is a final set of scores based on the most comprehensive supporting documentation available from both researchers, and additional verifications by the GTETI core team.

4.4. Step IV – Consolidation

Once the assessment is reconciled (i.e. all answers match or final decisions have been reached on discrepancies), the file is sent back to a consultant who to create a final and consolidated file, i.e. a clean file in terms of editing, terminology used, relevant documentation

and references being provided, etc. so that the final GTETI score can be shared with the government being assessed. In some situations, answers for which the two researchers selected the same score are found to have inconsistencies on both sides. For example, both researchers selected the wrong score on the basis of accurate supporting documentation, or both chose the most accurate score on the basis of erroneous supporting data. In these cases, the consultant notifies the GTETI core team and additional verifications are undertaken to adjust the indicator data.

4.5. Step V – Reaching Out to Governments

Before finalizing and uploading a country's GTETI score to the platform, we actively seek feedback from the relevant official institution—typically the body responsible for drafting the official TE report, in most instances, the Ministry of Finance (MoF). Our initial point of contact is derived from any email addresses found within the TE report. If unavailable, we consult the MoF's official website for contact details.

Should the government's perspective differ on a specific indicator, we request corresponding documentation or references to substantiate their position. If any discrepancies persist between the government's view and that of the GTETI team, the matter is forwarded to the GTETI External Advisors for review. In the absence of governmental feedback within the specified timeframe

(two weeks after sharing the consolidated assessment), the given score is deemed accurate and subsequently uploaded to the GTETI platform. However, the GTETI core team remains receptive to post-publication feed-

back such as additional supporting information, corrections, or other comments, to ensure accuracy, specificity and reliability of our data.

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APPENDIX 1: AN IDEAL TAX EXPENDITURE REPORT

Compared to benchmarking, where national tax systems and preferences play an important role, TE reporting is an area where it is easier to identify good practices and define minimum standards. No matter the exact definition of the benchmark tax system (and the related definition of TEs), the type and scope of the information provided by TE reports can be systematized.

As discussed in the present Companion Paper, the GTETI scores countries according to the regularity, scope and quality of the information provided in their TE reports. This appendix introduces the key elements of good TE reporting. We describe the structure of an ideal TE report by discussing the content of each of its sections and provide a template for revenue forgone estimates and related information.

1. Overall Characteristics

Cover page:

- ✓ Document name
- ✓ Fiscal years covered
- ✓ Publication date
- ✓ Contact details

Structure overview:

- ✓ Numbered structure
- ✓ Non-technical summary
- ✓ Key sections highlighted

Acronyms:

- ✓ List of acronyms included

Format:

- ✓ Downloadable pdf
- ✓ Website html version
- ✓ Machine readable (searchable)
- ✓ Colors are used to highlight sections, tables and figures

Underlying data:

- ✓ Data analysis format (.xls, .csv etc.)
- ✓ Linked from TE report, or made available on the same web page as the report

2. Introduction

Short section providing a high-level discussion of what a TE report is and why it is important as a tool to foster government budgetary and fiscal transparency.

The introduction could include a discussion about:

- ✓ **Legal basis:** Specification of the legal basis or requirement for TE reporting (Law name and date + article or section)
- ✓ **Responsibility and procedural indications:** indication of the agency or institution in charge of preparing the report as well as any obligation in relation to the report (e.g. periodicity of publication, submission to parliament, involvement of other governmental authorities, etc.)
- ✓ **Non-technical summary:** brief description in plain terms of the main insights from the latest TE data. Additional take-aways can also be highlighted, such as significant impact of new TEs introduced, important changes in the country's TE structure (e.g. increase in PIT tax expenditures vs. CIT tax expenditures), or outcome of recent TE evaluations. A brief discussion of the evolution of TEs over time, e.g. during the last five years could also be included. A discussion about relevant changes since the last TE report (e.g. any new TEs, or provisions that have expired or have been discontinued) is also highly desirable.

3. Methodology

This section should include a discussion of the TE concept as well as a detailed discussion of the benchmark tax system that can be, for instance, structured by type of tax. Any high-level and overarching discussion about the methods and assumptions used for the calculation of revenue forgone estimates should also be included in this section. A disclosure of any data limitations and other potential conceptual and methodological issues should also be part of Section 3.

Some concepts and issues that this section should discuss include:

- ✓ **Definition of the TE concept:** Explanation of the TE concept in plain, non-technical terms. Additional context can be provided by citing academic sources and/or guidance by other stakeholders, e.g. regional and international organizations.
- ✓ **Scope of TE report:**
 - ✓ **Coverage:** Statement with regard to the comprehensiveness (or not) of TE reporting. If the document includes all TEs implemented by the government, this should be explicitly indicated. Otherwise, a statement should indicate that the report only covers a subset of existing TEs, and which ones.
 - ✓ **Estimation:** if the TE report is not exhaustive, and only provides revenue forgone estimates for a subset of all the TE provisions included in the report, it is important to disclose this. Ideally, the report should explain why some TEs are not estimated.
- ✓ **Structural reliefs:** Some countries distinguish TEs (also called non-structural tax reliefs) from structural tax reliefs, i.e. provisions that are deviations from the benchmark tax system, but “are integral parts of the tax system. These reliefs have various purposes, such as to define the scope of the tax or calculate income or profits correctly.”¹⁷ If a country does not have any structural relief provisions (or do not disentangle between the two concepts, this should be explicitly discussed. If a country does not have any structural relief provisions (or does not disentangle the two

concepts), this should be explicitly mentioned. If a country does categorize some tax reliefs as structural ones, these provisions should be listed and, ideally, revenue forgone estimates should be provided, as for the those provisions that are considered TEs, following the template introduced below (Section 5 of this appendix).

- ✓ **Tax Benchmark:** General explanation of the benchmark or standard tax system against which TEs are assessed. Where an individual discussion of the benchmark should be provided in Section 5, a high-level discussion of the benchmark, even divided by type of tax is highly desirable.
- ✓ **Revenue estimation method:** General explanation of the method(s) used to calculate revenue forgone, including key assumptions as well as data sources.

4. Statistical Overview

A core piece of information of any TE report regards the presentation of revenue forgone estimates and projections. Hence, as with any data-driven document, a statistical overview to highlight the main overall findings should be included. A non-exhaustive list of potential charts and figures includes the following elements:

- ✓ **Types of Taxes:** chart or table summarizing revenue forgone by type of tax, ideally, including time trends.
- ✓ **Policy objectives:** chart or table summarizing revenue forgone by policy objective (or policy objective category, if policy objectives are too specific), ideally, including time trends.
- ✓ **Beneficiaries:** charts or tables summarizing revenue forgone by type of beneficiary, distribution of revenue forgone by beneficiary (e.g. how many beneficiaries benefit from tax breaks above EUR 1 Million, how many benefit from tax breaks between 1M and 500 000 etc.), ideally, including time trends.
- ✓ **Evaluations:** charts or tables presenting TEs evaluated by type of tax, evaluation outcomes (amount of revenue forgone linked to negatively evaluated TEs vs. positively evaluated vs. inconclusive), ideally, including time trends.

¹⁷ UK Parliament Treasury Committee (2023), <https://publications.parliament.uk/pa/cm5803/cmselect/cmtreasy/723/report.html#heading-0>.

5. Revenue Forgone Estimates and Companion Information

As discussed before, it is crucial that the revenue forgone estimates and projections as well as the rele-

vant accompanying information in the TE report are provided at the individual TE provision level. Ideally, every TE provision should have a fact sheet with the following information:

TE name										
TE identification number										
Description										
Policy objective										
Budgetary category										
Targeted 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**										

* When a TE report only uses one method to calculate revenue forgone, and/or only uses a single data source, it is not necessary to specify these at the individual TE provision level, but this should be explicitly mentioned in the report.

** Including reference / link to the latest evaluation report and summary of key findings

TE name: Ideally, the TE name already provides relevant information and is sufficiently specific to differentiate this TE from other similar TE provisions.

TE identification number: Ideally, a unique identifier is given to each TE. This allows identifying provisions within the TE report and, more importantly, to keep track of changes over time.

Description: A detailed and comprehensive description is crucial since the TE name is not always self-explanatory.

Policy objective: Governments worldwide implement TEs to pursue different policy objectives such as attracting FDI, boosting R&D and innovation, tackling inequality and greening the economy. A clear definition of the policy goal is not only crucial to understand what the government is trying to achieve, but also to conduct a sound ex-post evaluation. Ideally, the description of the policy goal should be comprehensive and detailed, and whenever possible, contain specific indicators of success. It should avoid abstract notions such as “boosting economic activity” or “supporting a specific sector or region”.

Budgetary category: Ideally, TE reports should classify every TE provision by budgetary category to which they are attributable (education, health, defence, etc.), and if possible follow the same classification of government expenditure data used by the country, e.g. COFOG. This is crucial, for instance, to classify TEs in accordance with direct spending entitlements and, hence to better integrate them with the budget, but also to get a clear picture of expenditure strategies (including both direct and tax expenditure) for specific budget categories.

Targeted beneficiaries: Ideally, TE reports should classify every TE provision by beneficiary group (corporations, SMEs, individuals, households, self-employed, etc.).

Number of beneficiaries: Whenever possible, the number of beneficiaries should be provided. This is a relevant piece of information for governments to monitor take-up ratios, but also to put the magnitude of the revenue forgone in context.

Benchmark definition: TEs are defined as a departure from the baseline tax structure, i.e. as deviations from a country-specific benchmark tax system. Hence, clearly defining the benchmark is a necessary first step to identify the deviations that should be classified as TEs, and, hence, estimated and included in the TE report.

Legal reference: Ideally, TE reports should include the reference to the legal provisions underlying all individual TEs. The reference should be as precise as possible, including not only the name/reference code of the law or act but also the relevant article/section within the law or act.

Type of tax: Ideally, TE reports should classify every TE provision by the type of tax upon which they are applied (PIT, CIT, VAT, excise taxes, etc.)

Type of TE: Ideally, TE reports should classify every TE provision by the mechanism through which they are granted (exemption, reduced rate, deduction, credit, deferral, etc.)

Revenue forgone estimates and projections: Revenue forgone estimates are a core element of TE reports. They are not only necessary to assess the impact of the use of TEs on public coffers, but also to conduct cost-benefit analyses, which are, in turn, one of the main inputs for evidence-based policy making. While some countries only provide estimates for the year in which the report is published (t), ideally reports should also include a backward-looking component providing estimates for, at least, the five most recent years (t-5).¹⁸ Likewise, it should include projections for, at least, the four years following the year of publication (t+4).

¹⁸ Data for the year of publication, t, is considered a projection since, very often, TE reports are published before the end of the fiscal year and, thus, the data for the entire fiscal year needs to be forecasted. In very limited cases, the TE report is published at the very end of fiscal year. In these cases, the data is provisional since there are always pending claims and issue resolutions. In order to simplify the assessment process, if a report is published before the end of a fiscal year, revenue forgone values for that fiscal year are considered projections.

Timeframe: It is important to understand the evolution of TEs over time. The report should contain the dates when the TE enters in force and when it expires (if an expiry date or sunset clause is defined). The latter is crucial to avoid TE provisions to remain stuck in the tax code even when the original rationale for their implementation has disappeared (e.g. due to changes in economic structure).

Revenue forgone estimation method: In most cases, and probably because of its relative simplicity, TEs are estimated and reported based on the revenue forgone approach – a method that compares actual revenue collection with the revenue that would have been collected without the provisions in place, assuming unchanged taxpayers' behaviour and unchanged revenues from other taxes. Yet, revenue forgone can be estimated employing different models or approaches, e.g. processing of actual tax return data, microsimulation, etc. Moreover, the report should include any relevant assumptions that may have been used to compute the revenue forgone estimates.

Data sources: Data sources should be disclosed so that interested stakeholders can understand the data that was used and, replicate the estimates if they choose to do so.

Last evaluation/evaluation schedule: Identifying and estimating the fiscal cost of TEs should not be seen as the final objective but rather as a necessary step to assess their effectiveness and efficiency, which, in turn, should be a priority for policy makers. Ideally, the report should include the latest evaluation of each TE provision (or a reference, including the document name and location as well as the hyperlink to access it), with a reference to the year when the evaluation was conducted and a short summary of the main findings or, at least, an indication of the final outcome, e.g. positive / negative / inconclusive.

6. TE Evaluation

This section should discuss in detail both ex-ante assessment and ex-post evaluation frameworks. Whereas ex-ante assessments and ex-post evaluations are different in their objectives and methodological set-up, and take place at different stages within the TE policy cycle, they are highly interconnected. In most cases, ex-ante assessments are designed as qualitative/descriptive analysis tools seeking to assess the implementation of a new TE provision with respect to its relevance and potential effects. In contrast, ex-post evaluations require a minimum analysis of the costs and benefits triggered by an individual TE provision (Redonda et al., forthcoming). Ideally, ex-ante assessments should provide the baseline data against which the impact of TEs can later be evaluated.

Ideally, this section should also include the evaluations that were conducted since the publication of the latest report, or references (including hyperlinks) to the respective documents. Moreover, the report should include detailed information on the evaluation schedule for the coming years.

APPENDIX 2: GTETI SCORING SHEET

Dimension 1: Public Availability

Indicator 1.1: Frequency and Regularity

How regularly and frequently are TE reports published?

- A) TE reports are published annually, at a regular pace.
- B) Reports are published every 2 years, at a regular pace; OR Reports are published every year at a generally regular pace.
- C) Reports are published every 3 or more years, at a regular pace; OR Reports are published every 2 years at a generally regular pace; OR Reports are published every year (annually), at an irregular pace.
- D) Reports are published every 3 or more years, at a generally regular pace; OR Reports are published every 2 years at an irregular pace.
- E) Reports are published every 3 or more years at an irregular pace.

Supporting documentation:

Date of Latest Report (t):

Date of Report t-1:

Date of Report t-2:

Date of Report t-3:

Date of Report t-4:

Date of Report t-5:

Date of Report t-6:

Date of Report t-7:

Date of Report t-8:

Date of Report t-9:

Median frequency of publication of reports:

Number of times that the country missed an expected publication:

Indicator 1.2: Timeliness

Does the report (published in fiscal year t) provide data for the most recent fiscal year (t-1)?

- A) Yes, the report provides data for the most recent fiscal year (t-1).
- B) No, but the report provides data for the fiscal year before the most recent one (t-2).
- C) No, the report does not provide data for the most recent fiscal years.

Supporting documentation:

Fiscal year in which the latest TE report was published (t):

Most recent fiscal year (t-1):

Does the report contain RF data for (t-1)?

Does the report contain RF data for (t-2)?

Indicator 1.3: Visibility

To what extent do public authorities promote the visibility of TE reports?

- A) TE reports are available in an online repository AND there is an official press release that is dedicated to the latest TE report.
- B) TE reports are available in an online repository AND there is an official press release related to TEs where the latest TE report is mentioned.
- C) TE reports are available in an online repository (but no press releases mentions the latest TE report).
- D) There is no repository for TE reports (regardless of press releases).

Supporting documentation:

Link to press section of the publishing website:

Link to press section of the Ministry of Finance (if different):

Is there a press release mentioning the latest TE report?

Is such press release dedicated to the latest TE report?

Is there a public online repository for all TE reports?

Indicator 1.4: Online Accessibility

How accessible is the TE report and its underlying data online?

- A) [TE report found via official website search functionality AND Report accessible under 5 clicks from homepage] AND Data is accessible in usual data analysis formats
- B) [TE report found via official website search functionality OR Report accessible under 5 clicks from homepage] AND Data is accessible in usual data analysis formats
- C) [TE report found via official website search functionality AND Report accessible under 5 clicks from homepage] BUT no Data is accessible in usual data analysis formats
- D) [TE report found via official website search functionality OR Report accessible under 5 clicks from homepage] BUT no Data is accessible in usual data analysis formats
- E) The TE report cannot be found online, NEITHER by searching official websites the usual TE expression NOR within five clicks of the official website homepage.

Supporting documentation:

Usual expression for „Tax Expenditure“ (TE):

Publishing Institution:

Click Path to Report:

Can the TE report be reached in less than 5 clicks from the homesite?

Link to TE report:

Is the data of the TE report available in data analysis format (.xls, .csv,..)?

Link to underlying data:

Can the TE report be found when searching for the usual TE expression on the official website?

Indicator 1.5: Reader-friendliness

To what extent is the report designed to be understandable for everyone?

- A) TE reporting is consolidated in a single document, AND contains a summary of its main findings, AND all acronyms are explained, AND the TE report itself or a version of it is formatted for impaired individuals.
- B) TE reporting is consolidated in a single document, AND contains a summary of its main findings, AND all acronyms are explained.
- C) TE reporting is consolidated in a single document, AND contains a summary of its main findings OR all acronyms are explained.
- D) TE reporting is spread across multiple documents (non-consolidated), AND one of the reports contains a summary of its main findings, AND all acronyms are explained. /OR/ TE reporting is consolidated, but the report does not contain a summary NOR acronyms are explained.
- E) TE reporting is non-consolidated, and none of the reports presents both a summary of main findings and an explanation of acronyms (i.e. none of the above).

Supporting documentation:

Is the report one single document?

Does the TE report contain a summary?

How does the TE report explain acronyms?

Is the TE report machine-readable/searchable? (not considered in score)

Is the TE report made available in HTML format? (website view with adjustable font size)

Is the structure of the TE report apparent? (titles and sections clearly shown)

Does the TE report, in any of its formats, use colours to highlight?

Is the TE report or a version of it available in a format for visually impaired individuals?

Dimension 2: Institutional Framework

Indicator 2.1: Legal Requirement

Is there a legal requirement to report on TEs?

- A) The legal basis sets a periodic requirement to report, and specific mention is made to TEs
- B) The legal basis sets a periodic requirement to report, BUT no specific mention is made to TEs
- C) TE reporting is done following an ad hoc, one-off, legal obligation
- D) The report indicates that there is no legal basis for reporting or the legal basis is not disclosed.

Supporting documentation:

Does the report indicate a legal requirement to report on TEs?

Does the legal requirement impose that TE reporting is done periodically?

Does the legal requirement specifically mention a requirement to report on tax expenditures?

Is the legal requirement specific to a single report (ad hoc, one-off req.)?

Indicator 2.2: Submission to Parliament

Is the TE report required to be presented to the Parliament?

- A) Yes, the TE report must be submitted to Parliament, either by itself upon publication, or together with other budget documentation.
- B) No, there is no indication of a requirement to submit the TE report to Parliament.

Supporting documentation:

Does the report indicate a requirement to submit the report to parliament?

Does the legal basis for TE reporting explicitly mention such requirement?

Indicator 2.3: Reporting Responsibility

Is TE reporting assigned to a specific Government ministry, agency or commission?

- A) Yes, the government institution or agency in charge of report on TEs is clearly indicated in the law requiring TE reporting, or in the TE report itself.
- B) No, there is no indication of the government institution, agency or commission responsible for TE reporting.

Supporting documentation:

Does the report indicate reporting responsibility?

Does the legal requirement indicate reporting responsibility?

Who is responsible for TE reporting? (e.g. ministry, agency, special unit.. name)

Indicator 2.4: Budget Cycle Integration

Does the Executive's Budget Proposal or any supporting budget documentation present information on tax expenditures for at least the budget year?

- A) Yes, information beyond the core elements is presented for all tax expenditures
- B) Yes, the core information is presented for all tax expenditures.
- C) Yes, information is presented, but it excludes some core elements or some tax expenditures.
- D) No, information related to tax expenditures is not presented.

Supporting documentation (only if there is no OBS data):

Is the Executive's Budget Proposal (EBP) public?

Does the EBP contain a statement of purpose or policy goal for (both new and existing) TEs?

Does the EBP contain a listing of the intended beneficiaries for (both new and existing) TEs?

Does the EBP contain an estimate of the revenue forgone for (both new and existing) TEs?

Does the EBP present information on TEs beyond the core elements above (e.g. benchmark, assumptions etc.)?

Indicator 2.5: Medium-Term Strategy Integration

Does the medium-term strategy, if any, include information on tax expenditures?

- A) YES, the medium-term fiscal strategy sets guidelines with regard to the size AND policy objectives (e.g. distributional impact, etc.) of tax expenditures.
- B) YES, the medium-term fiscal framework sets guidelines on EITHER tax expenditures size OR TE policy objectives.
- C) YES, BUT the medium-term strategies merely mentions tax expenditures (without discussing policy objectives or size of TEs)
- D) NO, TEs are not even mentioned in the MTS / OR / The country does not produce a medium-term fiscal strategy.

Supporting documentation:

Does the country have a medium-term strategy document?

Are TEs explicitly mentioned in the medium-term strategy document?

Are TEs policy objectives considered in the medium-term strategy?

Are guidelines on TEs size (i.e. with respect to revenue forgone) considered in the medium term strategy?

Dimension 3: Methodology and Scope

Indicator 3.1: Information on TE Coverage

To what extent does the TE report cover all Tax Expenditures available at the national level?

- A) The report indicates that all existing TEs are covered.
- B) [The report provides a specific explanation of which TEs are covered] AND [All types of taxes available at the national level are considered in the report]
- C) [The report provides a general explanation of which TEs are covered] AND [All types of taxes available at the national level are considered in the report]
- D) [The report provides an explanation* of which TEs are covered] AND [Certain types of taxes available at national level are missing from the report]
- E) [All types of taxes available at the national level are considered in the report] AND [No TE coverage disclosure]
- F) [Certain types of taxes available at national level are missing from the report] AND [No TE coverage disclosure]

Supporting documentation:

Reference to statement of TE coverage:

Are personal income taxes (PIT) covered?

Are corporate income taxes (CIT) covered?

Are goods and services taxes (GST) covered?

Are Value-Added Taxes (VAT) covered?

Are customs tariffs covered?

Are excise taxes covered?

Are property or wealth taxes covered?

Are payroll taxes covered?

Indicator 3.2: Tax Benchmark

To what extent is the tax benchmark used to assess TEs specified in the report?

- A) The benchmark is specified by TE AND International treaties are considered (if any)
- B) Tax benchmark specified by type or tax and/or type of TE AND International treaties considered (if any) / OR / The benchmark is specified by TE BUT available international treaties are not considered.
- C) There is only a general TE definition/overall benchmark description AND international treaties are considered (if any) / OR / The benchmark is explained by type of tax or type of TE AND international treaties are not considered.
- D) No tax benchmark description is provided / OR / There is only a general TE definition/overall benchmark description AND international treaties are NOT considered (if any)

Supporting documentation:

Does every TE provision have a benchmark specification?

Does the report provide tax benchmark information by type of tax?

Does the report include an overall description of the tax benchmark and/or a definition of TE?

Are international treaties mentioned in the report?

Indicator 3.3: Structural Reliefs

To what extent does the report include information on alterations to the benchmark that are not considered TE? (i.e. structural relief)

- A) The report provides general criteria for structural relief AND lists individual structural relief provisions AND includes revenue forgone values for such provisions / OR / The report clearly indicates that there is no structural relief.
- B) The report provides general criteria for structural relief AND lists individual structural relief provisions
- C) The report only provides general criteria to consider an expenditure as structural relief.
- D) The report does not provide any indication of expenditure provisions that are excluded from the definition of TE (structural relief), nor an indication that all deviations from the tax benchmark are considered TEs.

Supporting documentation:

Does the report explain structural reliefs?

Does the TE report list structural reliefs individually?

Is there revenue forgone for structural reliefs?

Indicator 3.4: Revenue Forgone Estimation Method

To what extent does the report specify the method used to calculate revenues forgone?

- A) The TE report uses different revenue forgone estimation methods, and specifies such methods by TE, by type of tax or by type of TE, OR, the TE report indicates the uses of only one revenue forgone estimation method / AND necessary economic assumptions are stated.
- B) The TE report uses different revenue forgone estimation methods, and specifies such methods by TE, by type of tax or by type of TE, OR, the TE report indicates the use of only one revenue forgone estimation method / AND necessary economic assumptions are NOT stated.
- C) The method(s) used to calculate revenue forgone are not specified in the report, or they are indicated inconsistently (only for some TEs or groups of TEs).

Supporting documentation:

Does the report have an overall „Methodology“ section, where the revenue estimation method is considered?

Does the report use a single method or various methods?

Does the report explain the revenue estimation method by type of tax or type of TE?

Backward revenue forgone estimates, are economic assumptions specified?

Forward revenue forgone estimates, are economic assumptions specified?

Dimension 4: Descriptive TE data

Indicator 4.1: Policy Objective

To what extent is information on the policy objective(s) of available TEs included in the TE report?

- A) By TE provision, the report includes information on TE policy objectives, for ALL TEs.
- B) By TE provision, the report includes information on TE policy objectives, for MOST TEs
- C) By TE provision, the report includes information on TE policy objective, for MANY TEs
- D) By TE provision, the report includes information on TE policy objective, for SOME TEs // OR The report only includes information on the TE policy objectives for groups of TE provisions without specifying policy objectives by TE.

Supporting documentation:

E) The TE report does NOT include information on TE policy objectives.

Does the report explain the objective of provisions?

[1] Total revenue forgone for all TEs

[2] Revenue forgone for TEs presenting policy objectives

[2] divided by [1]

Are overall policy objectives for TEs mentioned?

Indicator 4.2: Type of Tax and Type of Tax Expenditure

To what extent is information on the type of TE included in the TE report?

- A) By TE provision, the report includes information on the type of tax AND the TE mechanism used
- B) TEs are presented by type of tax AND for some types of tax, the different types of TE mechanisms are specified (if any)
- C) TEs are presented by type of tax without indicating the types of TEs available within OR TEs are presented by type of TE but relevant taxes are not always specified.
- D) TEs are assessed in bulk, without differentiating the types of taxes or TEs

Supporting documentation:

Does the report specify the different types of taxes where TEs are available?

Does the report specify the TE mechanisms used in different TEs?

Is information on types of taxes and types of TEs provided by TE provision?

Are TEs assessed in bulk, without distinguishing types of taxes or types of TEs?

Indicator 4.3: Beneficiaries

To what extent is information on beneficiaries of existing TEs included in the TE report?

- A) By TE provision, the report includes information on the number of beneficiaries, for ALL TEs AND target groups are specified.
- B) By TE provision, the report includes information on the number of beneficiaries, for MOST TEs AND target groups are specified.
- C) By TE provision, the report includes information on the number of beneficiaries, for SOME TEs AND target groups are specified.
- D) The report only includes some information on target groups, BUT no numbers of beneficiaries are provided.
- E) The TE report does NOT include information on beneficiaries.

Supporting documentation:

Does the report state the beneficiaries target groups?

Does the report include the number of beneficiaries by TE provision?

[1] Total revenue forgone for all TEs

[2] RF associated with TEs for which the number of beneficiaries is provided

[2] divided by [1]

Indicator 4.4: Timeframe

To what extent does the report provide information on the period over which TEs are legally in force?

- A) By TE provision, the report includes information on applicable timeframes.
- B) The TE report provides some indications of TE timeframes, inconsistently.
- C) No indications of applicable timeframes are provided in the TE report.

Supporting documentation:

Does the report include information on TE timeframes?

Is this information provide by TE provision?

Is information on timeframes only provided for some groups of TEs or specific TE provisions?

Indicator 4.5: Legal Reference

To what extent are legal references for available TEs included in the TE report?

- A) By TE provision, the report includes SPECIFIC legal references information, for ALL TEs.
- B) By TE provision, the report includes SPECIFIC legal reference information, for MOST TEs.
- C) By TE provision, the report includes SPECIFIC legal reference information, for MANY TEs.
- D) By TE provision, the report includes SPECIFIC legal reference information, for SOME TEs.
- E) The report only includes GENERAL legal reference information, either by TE or by groups of TE provisions.
- F) The TE report does NOT include legal reference information.

Supporting documentation:

Does the report include legal references for TE provisions?

Are these references specific (i.e. Law name or code + Article or section)?

[1] Total revenue forgone for all TEs

[2] RF associated with TEs for which specific legal references are provided

[2] divided by [1]

Dimension 5: TE Assessment

Indicator 5.1: Disaggregation of Revenue Forgone Estimates

How is revenue forgone data presented in the TE report?

- A) By TE for all types of taxes.
- B) By TE for MOST types of taxes and with aggregates for other types of tax.
- C) By TE for SOME types of taxes and with aggregates for other types of tax.
- D) Aggregated by 3 or 4 out of 4 aggregation categories.
- E) Aggregated by 1 or 2 out of 4 aggregation categories.
- F) Only a total estimate of revenue forgone is reported.

Supporting documentation:

Does the report present provision-level data?

[1] Total revenue forgone for all TEs

[2] RF associated with TEs presenting provision-level RF data

[2] divided by [1]

Does the report present overall estimates?

For which of the 4 GTED categories does the country have overall estimates?

Indicator 5.2: Backward Revenue Forgone Estimates

To what extent is backward revenue forgone data provided in the TE report?

- A) Backward estimates covering five (5) or more fiscal years are provided in the report
- B) Backward estimates covering four (4) fiscal years are provided in the report
- C) Backward estimates covering three (3) fiscal years are provided in the report
- D) Backward estimates covering two (2) fiscal years are provided in the report
- E) Backward estimates covering only one year are provided in the report
- F) No backward estimates are provided in the report

Supporting documentation:

Date of publication of the last TE report:

End-date for the last fiscal year:

For how many years are backward estimates provided in latest report?

Indicator 5.3: Forward Revenue Forgone Forecasts

To what extent is forward revenue forgone data provided in the TE report?

- A) Forward estimates covering five (5) or more fiscal years are provided in the report
- B) Forward estimates covering four (4) fiscal years are provided in the report
- C) Forward estimates covering three (3) fiscal years are provided in the report
- D) Forward estimates covering two (2) fiscal years are provided in the report
- E) Forward estimates covering only one year are provided in the report
- F) No forward estimates are provided in the report

Supporting documentation:

Date of publication of the last TE report:

For how many years are forward projections provided in latest report?

Indicator 5.4: TE Evaluation Framework

To what extent is information on TE evaluation frameworks available in the TE report(s)?

- A) Information on BOTH Ex-ante AND Ex-post TE evaluation frameworks is contained or clearly referenced in the report.
- B) Information on EITHER Ex-ante OR Ex-post TE evaluation frameworks is contained or clearly referenced in the report.
- C) Information on TE evaluation frameworks is not contained or clearly referenced in the report.

Supporting documentation:

Reference to evaluation framework (if in report):

Link to evaluation framework document (if outside of TE report)

Indicator 5.5: Availability of TE Evaluations

To what extent does the TE report include information on publicly available TE evaluations (ex-post)?

- A) TE evaluations are presented by TE, AND the scope of evaluation covers ALL TEs.
- B) TE evaluations are presented by TE, AND the scope of evaluation covers MOST TEs.
- C) TE evaluations are presented by TE, AND the scope of evaluation covers only SOME TEs. / OR / TEs are evaluated by groups of TE provisions or in bulk, AND the scope of evaluation covers ALL or MOST TEs.
- D) TEs are evaluated by groups of TE provisions or in bulk, AND the scope of evaluation covers only SOME TEs.
- E) TE evaluations are not included or referenced from the latest TE report (or such evaluations where conducted 5 or more years ago).

Supporting documentation:

Are TE evaluations included or referenced in the TE report?

Evaluation format:

[1] Total revenue forgone for all TEs

[2] RF evaluated (counting the RF provided in the latest available evaluation, not beyond 5 years)

[2] divided by [1]

Evaluation scope (if [B] = 100% => ALL / if 100% > [B] > 50% => MOST / if [B] < 50% => SOME)

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