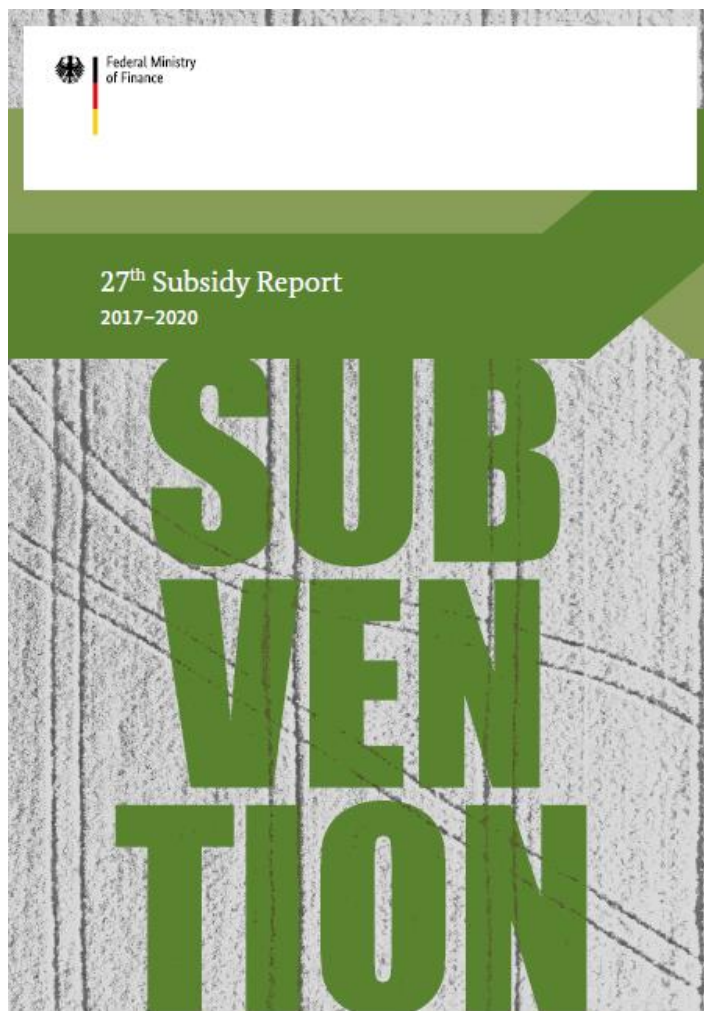


Evaluation of Tax Expenditures in Germany

Dr. Michael Thöne
(Managing Director FiFo Köln)

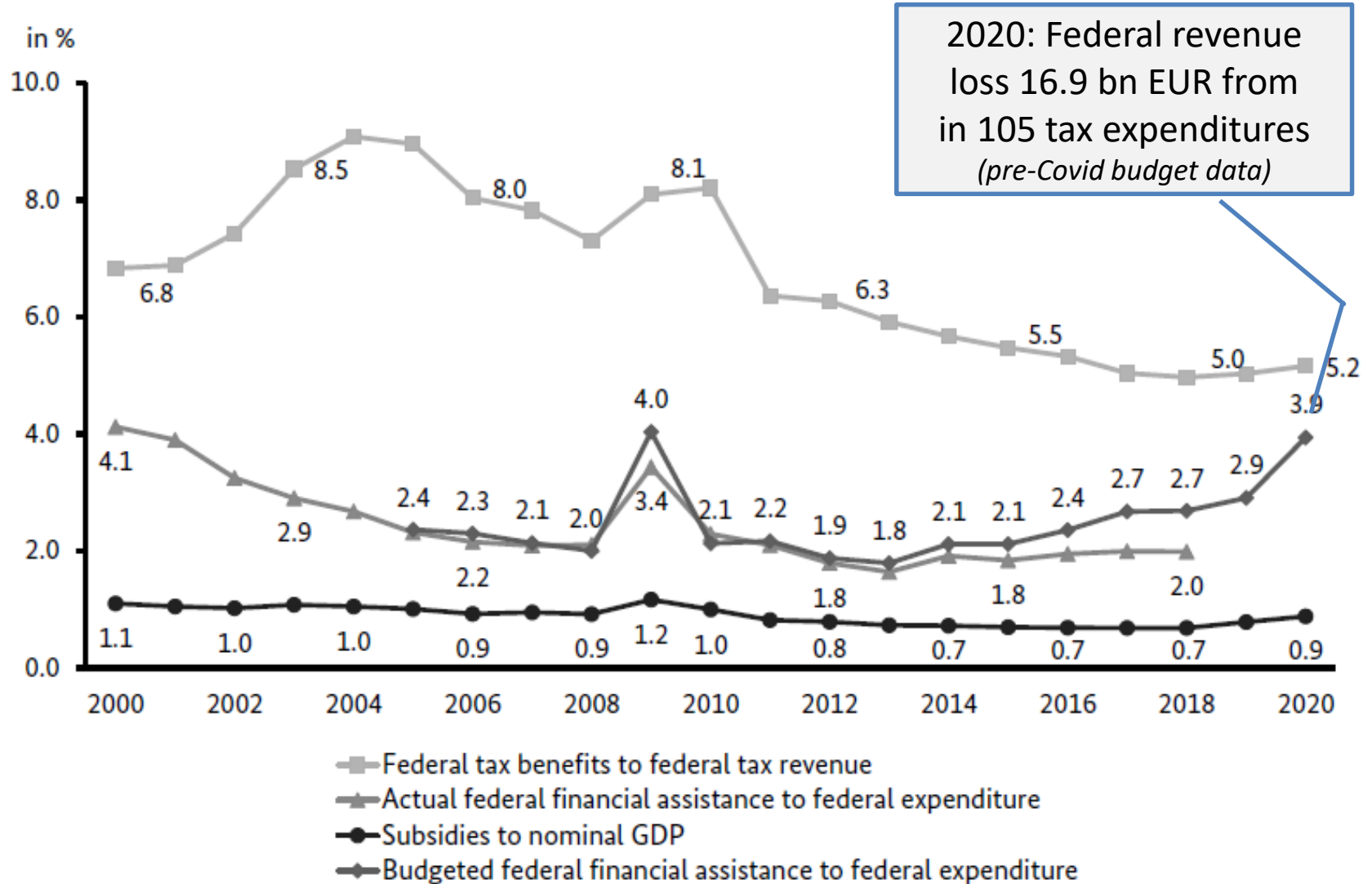
Brazilian Federal Court of Accounts
Tax Expenditures Webinar
October 8, 2020

Background on subsidies and tax expenditures in Germany





- Biannual Federal **Subsidy Report** since 1967, made by the MoF.
- **Tax expenditures** completely covered by federal reporting, as federal legislation determines taxes of *all* levels (federation, states and local level) plus joint taxes.
- **Taxes**: Direct taxes (PIT, CIT) and indirect taxes (VAT, energy and special consumption taxes, inheritance etc.)
- **Subsidy Report**: Overview articles plus detailed coverage of individual programs (2019: 10 annexes, ca. 480 pages)
- **Evaluations** produced by economic research Institutes. Coverage tax expenditures: 82%
- **Federal Court of Auditors** also covers tax expenditures, but has no separate reports






Subsidy ratios: Federal budget



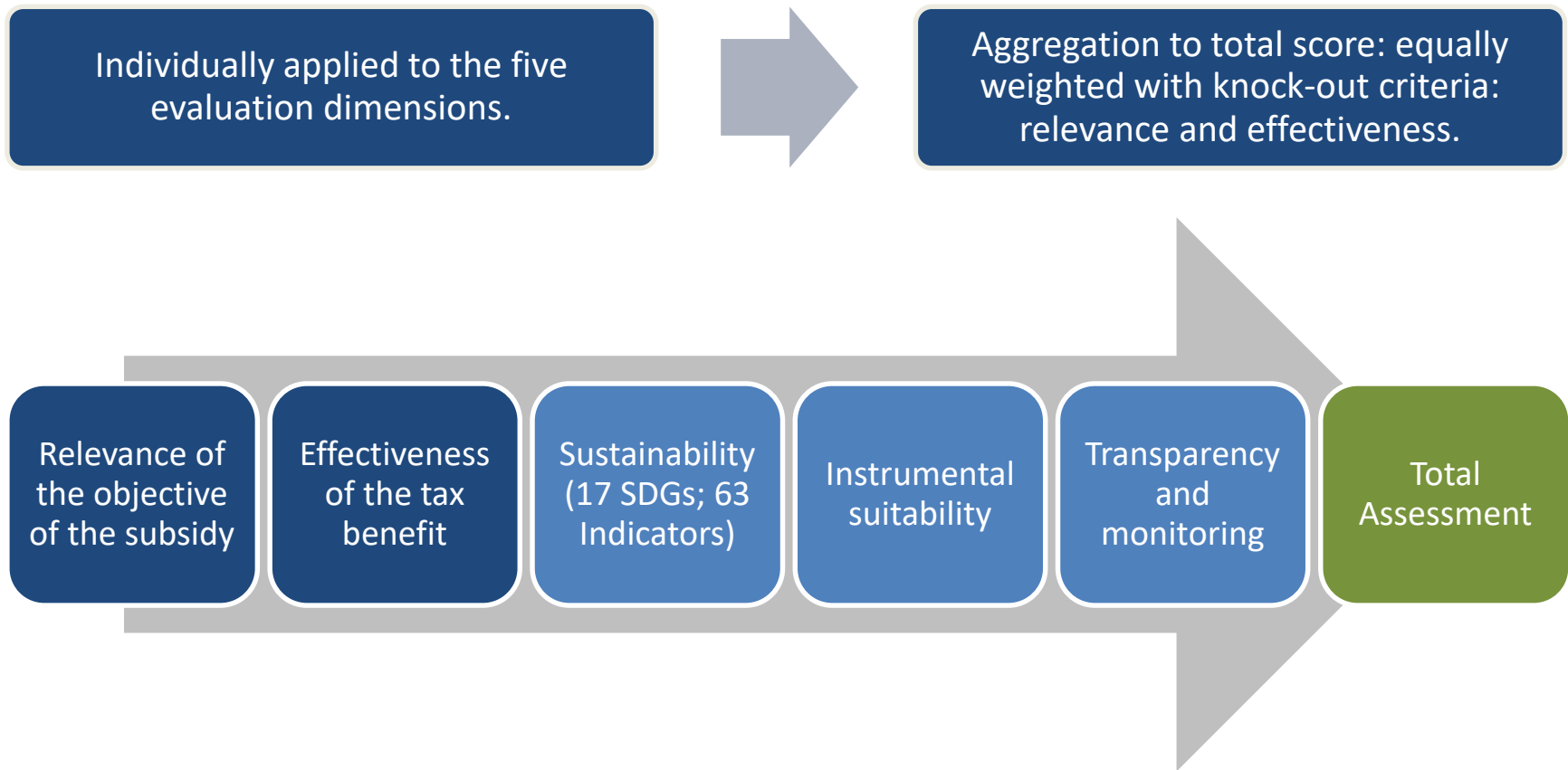
Evaluation of Tax Expenditures

2007-2009	2017-2019
	
20 Tax Expenditures	33 Tax Expenditures
Volume: 18 bn EUR (total annual revenue loss for federation, states and local level)	Volume: 8 bn EUR (total annual revenue loss for federation, states and local level)
Evaluation Reports: 3 Volumes, 650 pages	Evaluation Reports: 6 Volumes, 1.020 pages

Scores defined for and used in the second evaluation round

	Insufficient	0,00	Not acceptable in any way
	Weak	0,25	Findings remain noticeably behind the expected; there is an urgent need for adaptation
	Sufficient	0,50	Alike school grade "C", i.e. lowest passing grade.
	Good	0,75	Good enough. No urgent need for improvement. But certainly room for improvement.
	Excellent	1,00	Nothing can be improved here (details at most).

Dimensions of the Evaluation

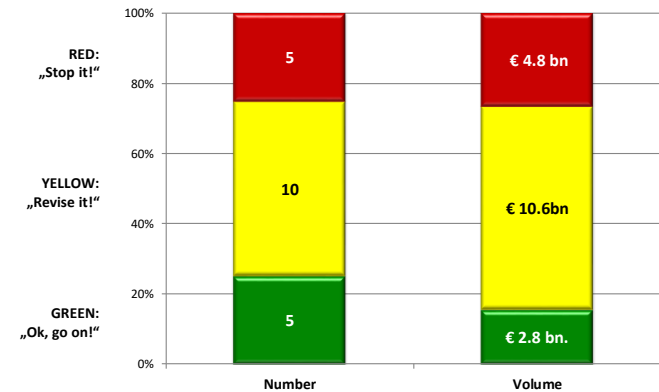


Excerpt from: 2019-Scores for income taxes benefits

Nr.	Steuervergünstigung	Relevanz	Wirkungen	Nachhaltigkeit	Instrumentelle Eignung	Transparenz u. Monitoring	Gesamtwertung
1	Freibetrag für Land- und Forstwirte						
2	Nutzungswertbesteuerung bei Baudenkmalen						
3	Steuerbefreiung bei der Entnahme von Grund und Boden						
4	Freibetrag für Veräußerungsgewinne						
25	Übertragung stiller Reserven						
26	Übertragung stiller Reserven bei Sanierungs- und Entwicklungsmaßnahmen						
29	Freibetrag für Gewinne aus Betriebsveräußerungen						
30	Freibetrag für Gewinne aus der Veräußerung von Anteilen an Kapitalgesellschaften						
96	Freibetrag für Gewinne aus Betriebsveräußerungen						
Legende							
ungenügend schwach ausreichend gut ausgezeichnet							

Results: 2nd round 2019 (above), 1st round 2009 (below)

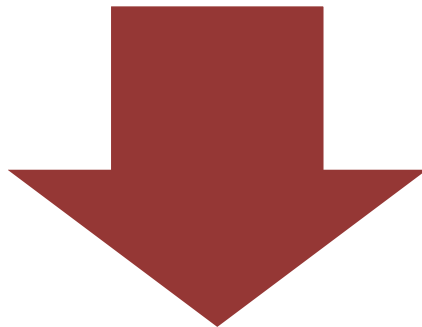
Kriterium	Score					
	Excellent	Good	Sufficient	Weak	Insufficient	
Relevance	6	14	12	1	0	33
Effectiveness	0	7	16	10	0	33
Sustainability	1	6	20	5	1	33
Instrumental suitability	2	14	8	8	1	33
Transparency and monitoring	0	13	15	4	1	33
Total Assessment	0	6	16	11	0	33



Were the German evaluations successful or not?



Yes. Substantial improvement of knowledge. It set standards.



No. It did not have direct consequences for actual tax policy.

But there is no way to “force” a democratic government/legislature to implement the recommendations of an expert review. (Thank God.)

Thank you very much!

Evaluation of Tax Expenditures in Germany

Dr. Michael Thöne

Managing Director

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