VIETNAM ALLIANCE FOR TAX JUSTICE

OXFAM IN VIETNAM

PUBLISHING TAX EXPENDITURE REPORT

INTERNATIONAL EXPERIENCE AND RECOMMENDATIONS FOR VIETNAM

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PREFACE

Taxes in particular, and fiscal policy in general, are particularly important to the economic life of each nation, with profound implications for communities, interest groups, households and each individual. One simple reason is that taxes directly affect the interests of each individual and each organization (both positive and negative), thereby affecting the behavior of the subjects involved.

A well-functioning taxation system and proper public expenditure on essential services (such as health and education) are fundamental for the narrowing of extreme inequality and the elimination of poverty. But taxes must always be paid by someone else. Therefore, the design of taxes on which area and how much they are levied is an act of not only economic significance, but also political one. Simultaneously with the taxation process for revenue generation, it is the tax exemptions or tax incentives for some subjects to achieve certain socio-economic effects. For example, reducing taxes for the lowest income earners to ease their economic burdens, or reducing or extending taxes for certain businesses in the hope that they will invest more, thereby creating jobs or other positive effects (such as technological development).

The broad and inefficient utilization of corporate tax incentives by governments produces the opposite result, as wealthy corporations pay less taxes and public services are underfunded. While Oxfam does not outright reject the use of tax incentives, experience demonstrates that on most cases where tax incentives are utilized (especially in the global south) they are inefficient and economically unsustainable, representing losses in tax revenue that are desperately needed in exchange for insufficient economic gains.

Tax expenditure is a term that represents the total budget revenue lost from the application of tax incentives through public policies. Therefore, the question is: do such subsidies help to reap greater benefits for society from changing the behavior of tax beneficiaries? This is a question that is not easily answered.

The first step in finding this answer, and therefore considering whether the tax incentive policy is reasonable, or whether it is accidentally creating a new injustice, is to accurately calculate the overall tax expenditures in the country. The calculation of tax expenditures should include all special provisions of tax law that benefit specific economic activities or groups of taxpayers. At the same time, the calculation should be based on a complete process with scientific and accurate calculation method. All of these calculations should be reflected in a Tax Expenditure Report.

Therefore, it is necessary for governments to produce tax expenditure reports, which provide structural economic information and costs & benefits analysis of tax incentives, helping the Government, the National Assembly and civil society to evaluate the effectiveness of tax incentives and accordingly make appropriate policy adjustments.

On the other hand, the government's publication of tax expenditures reports would provide information to research institutions, development organizations and regular citizens about the costs & benefits of tax incentives, opening a democratic debate around public policy ideas around taxation and public expenditure.

The following research report provides methods for calculating and estimating tax incentive costs, describes international experiences in the development of reports on tax incentives, establishing a reference for policy-making agencies and organizations when developing tax expenditure reports as well as recommendation on building such reports in Vietnam.

The authors of this useful handbook, Mr. Henrique Alencar - tax policy advisor at Oxfam Novib, The Netherlands, and Ms. Nguyen Thi Le Thu, researcher of public finance at the National Institute for Finance – Ministry of Finance, Hanoi, Vietnam have put a lot of effort to crystallize their knowledge and experience into the results you are holding in your hands. This is a particularly useful document for researchers and authorities in developing a complete and scientific Tax Expenditure Report.

For the Vietnam Alliance for Tax Justice, this is a neat and handy manual that helps us develop reports on tax expenditures for each specific tax, such as the Tax Expenditure report for Corporate Income Tax which we recently published as a prime example.

The Vietnam Alliance for Tax Justice would like to sincerely thank the two authors, with the great support of Oxfam in bringing this knowledge to Vietnamese readers.

Hanoi, November 5, 2019.

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EXECUTIVE SUMMARY

Over the years, Vietnam has implemented many tax incentive policies to attract investment, promote economic development, and ensure development among regions. The utilization of tax incentives to attract multinational corporations to Vietnam has been a constant public policy over the past decades. While such policies were relevant for the economic development witnessed in Vietnam, a transparent and periodical evaluation of the costs and true effectiveness of these corporate tax incentives is still missing.

The establishment of annual tax expenditure reports by the government would shed a light on the specifics of the incentives awarded to multinational corporations and promote a debate around the best way to utilize fundamental public funds.

A primary function played by national and local governments is the design and implementation of public policies to attract investment and promote economic development. Among other forms of stimulus, governments of both developed and developing nations broadly utilize corporate tax incentives to attract multinational companies. Governments offer a comparatively advantageous fiscal situation to an investor (such as reduced tax rates over corporate profits) as they assume that the downturn in revenue collection will be compensated by the creation of new jobs and increased economic activity.

However, tax incentives are often found to be redundant in attracting investment in developing countries, being most of the time inefficient, ineffective and costly. There is often a serious lack of transparency on their provision, administration and governance. Additionally, the careless offering of corporate tax incentives leads to a meaningful negative impact on revenue collection and a subsequent drop in financial resources available for governmental expenditure on fundamental public services (such as health, education and social security). Due to the significant weight of corporate tax revenue in developing countries' coffers – representing around 20% of total government revenue – as well as the technical complexities of designing tax incentives, developing nations often struggle with the effects of such policies on the short and long term.

Tax Expenditure is a term that represents the totality of revenue lost to tax incentives promoted through public policies. Encompassed in the calculations of tax expenditure should be all special provisions of tax legislations that benefit specific economic activities or groups of taxpayers. Due to the varying nature of tax incentives (from enhanced deductions to reduced tax rates and full tax holidays), the actual measurement of tax expenditures by a government is a complex task.

With transparency and efficient resource allocation as objectives, governments have developed a periodical publication (mostly on an yearly basis) to disclose the full inventory of tax expenditures and the costs & benefits associated to them. Through such *Tax Expenditure Reports*, expenditures connected to corporations can be reviewed and scrutinized by parliaments, public policy designers and civil society.

In order to properly represent the scenario around national tax expenditures, international best-practice and institutions list the different information that should be part of a tax expenditure report, including:

(i) The governmental entity responsible for the research and publication of the report;
(ii) The national legal basis for tax expenditures;
(iii) The national legal basis for the tax expenditure report;
(iv) The national benchmark system;
(v) A clear definition of what is a tax expenditure according to national legislation;
(vi) The clearly defined objectives of each tax expenditure;
(vii) The taxpayers that are beneficiaries of each tax expenditure;
(viii) The methodology utilized for the estimation of costs and benefits;
(ix) The duration and nature of each tax expenditures; and
(x) A list of tax expenditures by category and total value.

As mentioned above in point VIII, the method selected for the estimation and evaluation of the costs and benefits of the tax expenditures being analyzed is crucial for tax expenditure reporting. A tax expenditure cannot be solely considered based on the positive effects that a government will attribute to that specific public policy (increased jobs, economic growth), as any collateral negative effects (revenue collection reduction, ineffectiveness) must also be thoroughly scrutinized and added to provide a full picture of the situation. A proper cost-benefit analysis must go further and not only examine the direct and explicit results of a tax expenditure, looking also into more contextual issues:

(i) Is it relevant and does it address an actual need?
(ii) Is it the most effective way to achieve the stated objective?
(iii) Is it effectively meeting its objectives and within the planned budget?
(iv) Is it merely benefiting taxpayers that would have invested in the region anyhow?
(v) Is it creating an internal displacement and decreasing economic efficiency?
(vi) Is it attracting investment that would be more effective in other areas of the country?
(vii) Could its cost generate better results if directed to other policies and public investments?
(viii) What other government costs will be required to sustain the tax expenditure policy?

While traditional methods for estimating costs (*revenue foregone* & *revenue* gain) are still utilized in some countries, technological advancement and the massive availability of fiscal data in developed nations has resulted in countries creating economic models and measuring the impact of specific tax expenditures through software – such as the CGE (Computable General Equilibrium).

Based on specific accounting data (*input-output* & *economic multipliers*), CGE is able to present a highly-developed economic model with the costs and benefits of new fiscal incentives. However, the technological and data requirements of such software results in most developing countries not being able to successfully utilize it. To remedy the situation, the IMF and UN have developed micro-simulation models (with varying degrees of accuracy) that are easily accessible to developing nations.

In the Vietnamese national context, tax expenditure reporting is still taking its first steps. While new legislation submitted to the National Assembly require the presentation of an impact assessment (including newly proposed tax policies), there is no legal requirement for an overarching yearly tax expenditure report to be produced.

Vietnam has a long tradition in offering broad tax incentives to attract foreign investment, including reduced corporate income tax rates, exemptions in importation duties, reduced VAT rates for specific products and exemptions for certain types of personal income. While such policies played a significant role on the development of the Vietnamese economy over the past decades, a proper legal framework that enables a periodical review of the efficiency and effectiveness of the incentives has never been established. A previous Oxfam Vietnam publication entitled *Assessing Vietnam's Tax Incentive Policies* demonstrated that tax losses from corporate tax incentives in 2016 reached the equivalent to 86% recurrent expenditure for healthcare, 35% recurrent expenditure for education and 5.8% total revenue of that year – highlighting the importance of properly evaluating such public policies around corporate tax incentives.

In order to advance in the direction of transparency and proper governance of all forms of tax expenditure, Vietnamese government must advance towards establishing tax expenditure reporting as a standard public policy. In order to reach that status, a first step is the development of a legal framework by the government that establishes the legal requirement of expenditure reporting. The following step would be the clear definition of a methodology for such reports and the development of a database that would enable the production of a high-level reporting.

Finally, capacity building is required, so staff in charge is able to properly develop yearly reports and assess the impact of tax proposals - and for civil society (civil organizations, journalists and academia) to promote in Vietnam a healthy public debate around public finance management and the proper use of tax incentives.

A. INTRODUCTION TO TAX EXPENDITURES

Tax expenditures are governmental concessions to specific taxpayers that fall outside the current tax norm or benchmark. The total cost of tax expenditures is the amount of tax revenue foregone through the application of special tax provisions or regimes. Tax expenditures take many forms and are generally aimed at supporting targeted sectors, firms, or individuals. If used properly, tax expenditures can play an important role in implementing government policy priorities.

Among others, tax expenditures are provided through the following designs: (i) allowances, which may benefit specific vulnerable groups, such as handicapped individuals or single parents; (ii) exemptions, benefiting taxpayers by avoiding the levying of taxes for a period, which may be determined or open-ended; (iii) credits, which reduce the amount of tax owed, normally based on a percentage; (iv) reduced tax rates, which lower the final tax amount charged over income of corporations or individuals; and (v) tax deferrals, that delays the moment of paying taxes, however not actually avoiding the payment.

As most other governmental policies, tax expenditure items have both positive and negative aspects defended by different stakeholders. From the positive side, proponents of increased tax expenditure highlight the following points: (i) encourage private participation in economic and social programs; (ii) promote private decision-making rather than government decision-making, by increasing the available income in the hands of taxpayers; and (iii) reduce the need for close government supervision of such spending, as it will be spent directly by the taxpayer instead of collected and reinvested by the public sector.[1] On the other hand, the following negative aspects are commonly observed: (i) ineffectiveness, inefficiency and inequality; (ii) erosion of revenue bases; (iii) hard to predict impact on public spending; (iv) adds complexity to national legislation; and (v) possibly fosters corruption and political capture by special interest groups.[2]

Another common criticism directed at tax expenditures is the assertion that tax systems should be kept neutral, raising revenue through the principles of equity, efficiency, and effectiveness. Neutral tax systems have a broad base and a uniform horizontal taxation.[3] By providing differentiated policies to specific taxpayers, tax expenditures go against such principles, adding layers of complexity to the national tax system and disrupting horizontal equality[4].

Governments throughout the world utilize tax expenditure, in the form of revenue forgone, as a policy instrument to promote economic growth and social development.

While tax expenditure is a broad concept that includes all the distinct designs previously mentioned, this paper will mainly focus on tax incentives directed at corporations and investors. Tax incentives can be divided into two main categories: *investment-based* and *profit based*.

Investment-based incentives benefit investors through enhanced deductions, tax credits, tax allowances and accelerated depreciation. These incentives are designed to spur real economic investment; therefore they establish preferential tax rules to benefit and promote actual investment. As a consequence, investment-based incentives are criticized for favouring economic activities that do not necessarily result to be successful or profitable. At the same time, investment-based incentives are recognized as promoters of new economic activities around innovation and R&D. Generally, it is easier to predict the final revenue loss of this category of incentives when compared to profit-based incentives, besides being less prone to abuse and more transparent.

1 Tax Expenditures: Shedding Light on Government Spending through the Tax System – Lessons from Developed and Transition Economies. *The World Bank and The International Bank for Reconstruction and Developments: Hana Polackova Brixi, Christian M.A. Valenduc, Zhicheng Li Swift*. 2004, page 3

2 Tax Expenditures: Shedding Light on Government Spending through the Tax System – Lessons from Developed and Transition Economies. *The World Bank and The International Bank for Reconstruction and Developments: Hana Polackova Brixi, Christian M.A. Valenduc, Zhicheng Li Swift*. 2004, page 5

3 Horizontal equity is a principle that determines that taxpayers in similar circumstances should pay similar amounts of tax. On the other hand, the term vertical equity establishes that taxpayers with greater economic ability should pay more taxes than poor taxpayers.

4 Design and Assessment of Tax Incentives in Developing Countries – selected issues and a country experience. *United Nations and Inter-American Center of Tax Administration*. March 2018, page 77 to 81

Profit-based incentives award profitable operations with reduced tax rates or periods of tax exemption. These incentives benefit taxpayers after the profit from the economic activity is generated. For many critics, as these incentives do not actually promote investment but only benefit already-profitable activities, profit-based incentives are considered a windfall gain for the investor or corporate taxpayers. Profit-based incentives are also known to generate profit shifting. On the other hand, they are considerably easier to administer in comparison to investment-based incentives.

I. EFFECTS ON DEVELOPING NATIONS

Over the past decades, developing countries have focused on tax expenditures to develop an attractive fiscal policy for Foreign Direct Investment. However, with limited theoretical understanding of the application of tax expenditures, developing countries now confront revenue losses higher than they had anticipated and the erosion of their tax bases in recently designed tax systems. As negative examples of developing nations, we can point to the failures in Kenya and Nigeria:

Kenya is losing $1.1bn a year to tax exemptions and incentives – almost twice what the government spends on its entire health budget, in a country where mothers face a 1/40 chance of dying in childbirth.[5]

Nigeria spends $2.9 billion on tax incentives, twice as much as it does on education, despite six million girls in the country not attending school.[6]

II. GENERAL RECOMMENDATIONS ON THE DEVELOPMENT OF TAX INCENTIVES BY NATIONAL GOVERNMENTS

In a recently published report on tax incentives,7 a confederation of civil society organizations and business leaders recommend the following five points for the development of tax incentives:

1 Must be consistent with National Economic Policy;

2 Transparent and clear legal process, with democratic oversight and political scrutiny;

3 Equally available to all similar companies (horizontal equality);

4 Subject to ongoing monitoring and evaluation by government to ensure they serve the original purpose; and

5 Should only be granted after evidence-based assessment of impacts in the economy, society and environment.

Children in Nigeria
© *Tom Saater/Oxfam*

5 Tax Competition in East Africa: a race to the bottom? Tax Incentives and Revenues Losses in Kenya. *Tax Justice Network – Africa* and *Action-Aid*. May 2012, page 7
6 The West African Giveaway: Use & Abuse of Corporate Tax Incentives in ECOWAS. *Tax Justice Network – Africa* and *Action-Aid*. July 2015, page 12
7 Tax Incentives in the Global South – a business and civil society briefing. *Action-Aid, CBI, Christian Aid and Oxfam Great-Britain*. May 2018, page 8 to 9

B. TAX EXPENDITURE REPORTING

The concept of Tax Expenditure was adopted in developed countries in the 1960s/70s, and Tax Expenditure Reporting occurred shortly after in these countries.

Tax Expenditure Reporting is utilized in developing countries for fiscal transparency and for efficient resource allocation. The assessment of expenditure is very complex, sometimes affected by inadequate reporting and accounting practices.

The classifications in Tax Expenditure Reports vary from country to country, depending on the needs of policymakers and data availability.

Based on international best-practice[8] and publications of international institutions[9], a Tax Expenditure Report should aim to include all of the following information:

I. WHO RESEARCHES AND PUBLISHES A TAX EXPENDITURE REPORT?

Usually Tax Expenditure Reports are published by the tax administration, a specific department of Ministry of Finance or a specific department of the National Assembly.

As an example, the United States publishes reports connected to Federal Tax Expenditure programs (as required by The Congressional Budget Act of 1974) through the Office of Tax Analysis of the US Department of the Treasury.[10] For local/regional Tax Expenditure programs, the reports are published by state revenue offices and regulated by local legislation[11]. In the case of the United Kingdom, such reports are published by the tax administration (HMRC)[12].

II. LEGAL BASIS FOR TAX EXPENDITURE

Countries have specific legislation regarding the implementation of unique tax expenditure measures. The approval of tax incentives through legislation is necessary to increase transparency, also allowing legislative oversight and public accountability. Some developing countries (including Vietnam) have a fragmentation of the public power to create incentives, with incentives dispersed throughout tax legislation, regular legislation or specific legislation on an economic sector, like Oil & Gas. If such incentives are distributed into a number of laws and regulations, it can be hard to keep track of all legal basis. Best practice is to unify all different expenditure items into a single legislation.

III. LEGAL BASIS FOR TAX EXPENDITURE REPORTS

Countries have specific legislation regarding the development and publication of Tax Expenditure Reports. It is common in developed nations for the Budget Legislation to establish the publication of an annual Tax Expenditure Report. Other countries have established the creation of Tax Expenditure Reports and the periodicity of their publication through specific legislation.

IV. BENCHMARK SYSTEM

The correct definition of Tax Expenditure is fully dependent on the benchmark system utilized for comparison. The benchmark system normally represents a tax system structured around neutrality and horizontal equality, with a long-term perspective for tax policy development based on the country's social and economic character. Its purpose is to serve as a

8 Evaluation of Tax Expenditure Reporting in Developing Countries. *Lanre Kassim and Mario Mansour*. June 2016, page 3 to 9

9 Tax Expenditures: Shedding Light on Government Spending through the Tax System – Lessons from Developed and Transition Economies. *The World Bank and The International Bank for Reconstruction and Developments: Hana Polackova Brixi, Christian M.A. Valenduc, Zhicheng Li Swift*. 2004, page 1 to 16

10 U.S. Department of the Treasury – The Office of Tax Analysis. https://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Tax-Analysis.aspx

11 Report on the Impact of Massachussetts Film Industry Tax Incentives through Calendar Year 2013. *Commonwealth of Massachussetts, Department of Revenue*. April 2016

12 Tax Expenditures in OECD Countries. *OECD*. 2010, page 127

contrasting example against which the proposed tax incentives and exemptions can be compared with. The benchmark tax system must be defined taking into consideration a number of issues, including the time frame observed, the tax rate applied, the taxpayers which are liable to tax and, most importantly, the tax base.[13]

The tax base of a benchmark tax system can be defined in three different ways: (i) a clear definition of what is to be classified as income and consumption of taxpayers, so their taxable income and the national tax base can be calculated based on these definitions;[14] (ii) legal reference, with the national tax base being defined through a specific legislation or regulation, which clearly states the procedure to be consider on expenditure reports; (iii) and the analogous subsidy approach, which determines that all fiscal provisions that are comparable to direct subsidies are recognized as tax expenditures, with all remaining policies being considered as non-tax expenditure items, therefore forming part of the benchmark system.

While these three methods utilize distinct routes to arrive at the determination of the national tax base, the objective is the same: demonstrate what is the national version of a standard tax system and utilize that in comparison with the tax-expenditure regimes implemented, with the contrast in tax collection being branded the actual cost of the exemptions and incentives.

V. DEFINITION OF TAX EXPENDITURE

Tax Expenditure must be clearly defined in the report. Based on international practice, Tax Expenditure is traditionally defined as the deviation of current law relative to the benchmark tax system. Other countries have specific definitions around a similar concept, with France establishing that Tax Expenditure represents a ''*legal provision whose implementation leads to lower tax revenue when compared to the benchmark tax system*''[15].

VI. OBJECTIVE OF TAX EXPENDITURE

A Tax Expenditure must have a clearly defined objective, just as required for budget spending measures. If the legislation does not establish the objective of the Tax Expenditure, there is no concrete way to evaluate its success or failure in delivering that objective. The same can be stated for subjective and overly broad objectives. Only clearly defined objectives allow for a *full-picture* perspective of general tax policy in a country.

VII. BENEFICIARIES OF TAX EXPENDITURE

For Tax Expenditure to be truly transparent and accountable – allowing informed public discussion around fiscal measures, the direct beneficiaries of the measures must be identified in a Tax Expenditure Report. Specific companies or individuals don't necessarily need to be named in Tax Expenditure Reports, but wider groups of beneficiaries can be identified (such as Gaming Industry, Exporting Companies, High-income individuals, Small and Medium Enterprises).

VIII. ESTIMATION METHOD

The methodology utilized for the estimation of the cost & benefit of the Tax Expenditures must be communicated and explained in the report. The report should attempt to describe the method with a high degree of detail – despite the very technical and complex character of the methods available. This allows political parties, CSOs, researchers and other stakeholders to hold the government to account in the evaluation of the Tax Expenditure. The distinct estimation methods will be analysed in the following chapter.

IX. DURATION AND TYPE OF TAX EXPENDITURE

The report must mention if the Tax Expenditure being analysed is either: (i) an ongoing provision, without a specific termination date; or (ii) a fixed period provision, with a *sunset clause* determining the end date.

13 Evaluation of Tax Expenditure Reporting in Developing Countries. *Lanre Kassim and Mario Mansour*. June 2016, page 5

14 One commonly used concept is the Schanz-Haig-Simons definition of income and consumption, where income is calculated as the market value of all goods & services consumed by an entity, plus the increase/decrease in the net wealth of the entity. Utilizing this (or another similar) concept that determines what is considered income, the author of the tax expenditure report is able to better define the income generated by taxpayers

15 Tax Expenditure Budgets, Concepts and Challenges for Implementation. *IDB Working Paper Series*. 2010

The report also must mention the exact nature of the Tax Expenditure being analysed, such as clearly determining into which category of tax policies the measure is (for example, a tax exemption, tax credit, reduced tax rates or a tax deferral).

X. TAX EXPENDITURE BY CATEGORY AND TOTAL VALUE

A proper analysis of the tax policies of a jurisdiction requires that the Tax Expenditure Report mentions which categories of tax are affected by the tax measures, such as VAT, Corporate Income Tax, Personal Income Tax or Excise and Custom Duties.

Finally, the report should also mention the estimated share of the specific Tax Expenditure item within the total foregone amount. Adding all the individual Tax Expenditure items theoretically provides the total impact of Tax Expenditures. However, estimation and calculation of Tax Expenditure items is a complex exercise and must be carried out on a case-by-case basis. Countries cannot assume that if a specific Tax Expenditure is introduced or removed, taxpayer behaviour will not change, and connected tax policies will remain the same.

C. ESTIMATION & EVALUATION METHODS

When evaluating the total impact of a tax expenditure measure, a cost-benefit analysis is needed. A researcher must take into account all the distinct positive effects of the examined policy, as well as the negative inputs required to implement such policy.

As a first step, it is necessary to consider several general concepts that will have an impact on this cost-benefit analysis.

Tax expenditures will have their cost divided mainly in three categories: (i) direct revenue loss, as in the specific tax revenue the government is not collecting due to the measure; (ii) efficiency loss, due to the increase in complexity of the general tax system and the consequent reduction in uniformity; and (iii) increase in administrative and compliance burden, representing further work for tax administrations and private taxpayers derived from the complexity of applying the tax measure.

The benefit of tax expenditures can be divided into two main areas: (i) increased economic activities attributable to the measure, which represents the direct economic development triggered by the incentive; and (ii) revenue gains generated by the tax expenditure, as in the taxable profits of companies and individuals that will have benefited from the economic development stimulated by the analyzed policy.

However, benefits must also be considered from other aspect. The positive economic impact of a tax expenditure policy can be separated into three distinct categories: (i) direct impact, considering only the economic activities directly stimulated by the tax incentive package; (ii) indirect impact, which takes into account economic activities triggered by the *direct impact*, with supply-chains or inter-industry linkages, and the resulting tax revenues generated; and (iii) induced impact, which contemplates the multiplier effect of the income generated by economic activities (salaries, economic development, etc.) and the resulting tax revenues generated.

Additionally, a thorough cost-benefit analysis of a tax expenditure policy must consider other perspectives as well, besides the direct and explicit costs and benefit clearly associated with the policy[16]. It is necessary to evaluate the costs of a policy from the following perspectives:

- *Relevance* - Is the tax measure consistent with policy priorities, and does it realistically address an actual need?

Policy developers must establish an overarching tax policy and only utilize tax incentives to further the priorities determined by such policy. In that

16 Tax Expenditures: Shedding Light on Government Spending through the Tax System – Lessons from Developed and Transition Economies. *The World Bank and The International Bank for Reconstruction and Developments: Hana Polackova Brixi, Christian M.A. Valenduc, Zhicheng Li Swift.* 2004, page 19 to 33

sense, tax expenditures should only be utilized to address underdeveloped activities and not to make a fully functional economic sector even more attractive.

- *Efficiency* - Is the tax measure the most appropriate and efficient mean to achieve objectives, relative to alternative design and delivery approaches?

Tax expenditures of different designs (rate reduction, tax credits or exemptions) can be utilized to tackle the same issue, so policy developers and researchers must determine which specific design would most efficiently address the determined objective.

- *Effectiveness* - Is the tax measure meeting its objectives effectively, within budget, and without unwanted outcomes?

While a tax incentive might reach the purposes presented in its stated objectives, it might be doing so at a much higher cost in comparison with a better designed policy that could reach the same objective.

- *Redundancy* – Is the tax incentive facilitating the production of new investment or only benefiting taxpayers that would anyhow have made such investments despite the existence of the tax incentive?

Policy developers must question if the incentive is actually promoting further economic activity or simply rewarding specific economic sectors and taxpayers. If a tax incentive is considered to be highly redundant, the revenue foregone can be considered mostly wasted.

- *Internal displacement* – Does the incentive spurs the relocation from existing capital or companies to new favoured areas?

The location of companies and investments is mainly determined in accordance to economic efficiency. If an already established company decides to relocate due to regional tax incentives, this represents a loss in economic efficiency and government revenues.

- *Crowding out effect* – Does the incentive attracts investments that would have been more effective in other areas of the country?

The diversion of more efficient investments and projects planned for other areas of the economy to new favoured areas results in further erosion of the national tax base.

- *Opportunity cost* – Could the value foregone in public revenues have been better invested in other options?

Instead of establishing preferential conditions and renouncing tax revenue, such losses could have been better utilized in alternative options, such as investment in education, employment training or infrastructure.

- *Additional cost* – Will the government be required to disburse further costs for the successful development of the tax incentive?

In most cases, governments are required to spend further sums associated with the tax incentive. This is clear when examining location-based incentives, such as infrastructure development in Special Economic Zones.

I. METHODS OF ESTIMATING COSTS

There are distinct methods for estimating the total costs of a specific tax expenditure measure, with the two most traditional methods being the *Revenue Foregone* and *Revenue Gain* methods.

The *revenue foregone* method measures the reduction in tax revenue caused by a tax incentive after it already took effect. The tax expenditure cost is considered to be the exact difference between revenues collected from taxpayers receiving a specific concession and taxes paid by similar taxpayers not receiving that concession. This is the most popular method, relatively simple and utilized by a large majority of nations[17].

Secondly, the *revenue gain* method measures the expected additional revenue generated by the planned removal of a tax incentive while the incentive is still in effect. This method requires advanced economic statistics and data – such as Input/Output Accounts and National Income Multipliers – to form economic models for cost estimation, which is most times not easily available (specially in developing countries). Therefore, its utilization is very limited.

17 Choosing a Broad Base – Low Rate Approach to Taxation. *OECD*. 2010, annex A, page 115 to 153

II. ECONOMIC MODELS FOR ESTIMATING COSTS

Economic models are utilized by researchers to determine the impact of proposed tax expenditure items in future economic scenarios. The most advanced method to simulate the impact of tax expenditure and the subsequent behavioral reactions is through the **Computable General Equilibrium (CGE) model**. CGE is a highly developed, ultra-comprehensive model. It is the most complex and advanced software-based model for estimation of economic impacts.

CGE captures direct, indirect and induced economic and revenue impacts of any tax incentive program by correctly incorporating the relevant input data. CGE models are assumed to catch all behavior reactions to the initial changes resulting directly and indirectly from the tax expenditure program being analyzed.

However, even a comprehensive model may produce a questionable assessment when the input data is not appropriate and encompassing all factors. Also, data and the analytical procedure can be manipulated to serve the will and intention of policy makers. Therefore, transparency of the process is fundamental for the study to be credible. CGE is often inaccessible due to resource constraints and the lack of proper economic statistics.

The CGE is based on two main economic indicators: national input-output accounts and overall & sector-based output multipliers. The best method of data collection for both indicators is for the tax administration to request further economic data from taxpayers when submitting tax returns.

1 Input-output accounting is a quantitative economic technique that represents the interdependencies between different branches of a national economy or different regional economies. Such inter-industry relationships within an economy demonstrates how output from one industrial sector may become an input to another industrial sector.

2 Multipliers reflect the impact of spending over time, as well as the economic development generated by an initial government investment. Multipliers apply both to direct government spending and tax expenditure. It is based on the propensity to consume and save of corporations, allowing for researchers to determine the subsequent impacts of an initial investment in the economy.

The United Nations has recently proposed a new economic model for estimating the overarching cost of tax expenditures, entitled **Micro-Simulation model**[18]. A similar proposal was also recently developed by the International Monetary Fund[19].

The Micro-Simulation model is an alternative method designed for cost-efficient modelling. It is accessible to developing countries and generates positive results (however, it is not as efficient or accurate as CGE model). The Micro-Simulation model requires the following data: (i) financial statements and tax return data from examined companies; and (ii) national income multiplier, based on the propensity to consume and save of the target companies.

The Micro-Simulation model estimates the direct impact of a tax expenditure through calculating the following data: (i) total capital investment; (ii) redundant investments; (iii) increased jobs, labour income and taxable profits from additional capital investment; (iv) revenue gains, by applying tax rates to labour income (PIT), taxable profits (CIT) and consumption (VAT); and (v) revenue loss due to redundancy.

Following the determination of the direct impact, this model focuses on the indirect impact of the tax expenditure, analysing the following data: (i) purchase of domestic capital goods from additional capital investment; (ii) impact of purchased capital goods (investment & labour); (iii) purchase of domestic raw & processed materials for production of capital goods; (iv) impact of purchased materials (investment & labour); and (v) revenue gains by applying tax rates to labour income (PIT), taxable profits (CIT) and consumption (VAT).

Finally, the induced impact is estimated by multiplying the Total Income generated (both direct and indirect), minus the revenue loss, with the National Income Multiplier.

18 Design and Assessment of Tax Incentives in Developing Countries – selected issues and a country experience. *United Nations and Inter-American Center of Tax Administration*. March 2018, page 103 to 114

19 Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment. *International Monetary Fund, OECD, United Nations and World Bank*. October 2015, page 17 to 21

D. CONCRETE EXAMPLES OF TAX EXPENDITURE REPORTS

I. MASSACHUSETTS FILM INDUSTRY TAX INCENTIVES

The State of Massachusetts provides tax incentives to attract the film industry and the development of movies and TV series in its territory[20]. Since 2007, when the legislation was amended in its current version, an annual expenditure report is published by the Massachusetts Department of Revenue[21].

The tax incentive package made to attract the film industry in the state includes the following beneficial measures: (i) tax credit equal to 25% of a film's production cost; (ii) tax credit equal to 25% of a film's payroll costs; and (iii) full exemption for sales taxes. The tax credits can be utilized for reduction of regular tax liability, and in case there are remaining non-utilized credits, the taxpayer can either receive a cash refund equal to 90% of the value or transfer/sell the credit to other private taxpayers. As a consequence of the refundable character of the non-utilized credits, this incentive in fact can generate large cash payments to movie producers originated from state taxpayer funds.

For the calculation of the total expenditure, the Massachusetts Department of Revenue utilized the following statistical information connected to the incentive during calendar year 2013, among others:

- Total of tax credits generated, claimed and paid by fiscal year;
- Estimate of film production that would have occurred without tax incentive;
- Total amount of costs and payments to staff that claimed tax incentives;
- Wages & salaries to Massachusetts residents and non-residents;
- Costs spent on Massachusetts-based and out-of-state business;
- Number of new jobs created by productions that claimed incentives, both residents and non-residents; and
- Net increase in the amount of spending in Massachusetts as a result of the tax incentives.

The analysis of this data allowed the Department of Revenue to arrive at the following relevant conclusions:

- As the data includes the ''*Estimation of production that would have taken place without tax incentive*'', Massachusetts in fact calculates the redundancy factor of this incentive. As such operations would have already occurred in the state without any form of tax reduction or credit, the lost revenue must be directly considered a wasted revenue foregone due to the incentive.
- As the study monitors in three distinct data perspectives the economic generation directed at residents of Massachusetts and out-of-state persons or business, the State government makes it clear that positive direct impact is restricted to what is spent within Massachusetts, while the funds directed at out-of-state recipients are not considered a positive outcome.
- Massachusetts has a budget legislation which determines that government officials must adapt the yearly budgets to always avoid a public deficit. So if expenses are expected to increase in the following year, legislators must implement proportionate tax increases to balance the numbers. As the tax credit is refundable and transferable to other private taxpayers, the government must consider the volume and value of tax credits provided and make proper adjustments to balance those payments. Therefore, the study makes a clear and direct representation of the increase of taxes being undertaken as a result of this tax incentive. This is important and makes it clear to taxpayers that such tax expenditure comes with associated costs and a shift in the tax burden.

This study in Massachusetts is considered of high quality, since it addresses a number of perspectives and considerations that taxpayers must have in mind when opting to maintain or remove the tax incentive. There appears to be no

20 Design and Assessment of Tax Incentives in Developing Countries – selected issues and a country experience. *United Nations and Inter-American Center of Tax Administration*. March 2018, page 92 to 95

21 Report on the Impact of Massachussetts Film Industry Tax Incentives through Calendar Year 2013. *Commonwealth of Massachussetts, Department of Revenue*. April 2016

political influencing in this report to represent the tax incentive as entirely positive, which is not always the case as will be clear in the next example.

II. TESLA TAX INCENTIVES IN NEVADA

Tesla is a worldwide known multinational corporation that specializes in electric vehicles, energy storage and solar panel manufacturing, among others. The corporation is traditionally based in California and has recently decided to create the world's largest battery factory, known as Gigafactory, for its cars and energy storage. Tesla received tax incentive proposals from many countries and five distinct states within the United States, finally selecting the location of Nevada. In 2014, the Nevada government provided a tax expenditure report analysing the numbers around the implementation of the factory and the revenue foregone due to the incentives[22].

According to Tesla's numbers, the factory will require a U$1b investment over a period of 3 years, with further equipment investment of U$19b over a period of 10 years, and the generation of new 6,500 direct jobs.

The tax incentive package offered by Nevada includes the full tax exemption on: (i) Property Tax until 2024; and (ii) State and Local sales tax on construction material and equipment for 20 years. Also, Nevada will provide Tesla with transferable tax credits on: (i) U$75m for 6,000 jobs; and (ii) U$120m for the initial U$3.5b invested[23].

According to the tax expenditure report developed by Nevada, the implementation of the Tesla Gigafactory in the region will have the following economic impact: (i) direct impact of 6,500 jobs and annual incomes of U$370m; (ii) indirect and induced impact of 6,400/12,600 additional jobs and annual incomes of U$334m/ U$953m; and (iii) total of 12,900/22,700 indirect jobs and incomes of U$700m/U$1.3b. Regarding the future revenue impact, the factory will have a direct impact of U$460m over 20 years and an indirect and induced impact of U$776m-U$1.48b over the same period of time.

However, this tax expenditure report is considered as of questionable quality and politically influenced, due to the exclusive focus on positive results and a lack of critical analysis of the negative aspects of the tax incentive package. In comparison to the previous Massachusetts report, the Nevada report is considered of low quality and eager to convince Nevada taxpayers of the decision taken by its elected government officials. The following perspectives should be considered by a seriously critical report:

1 Redundancy: Tesla initially required of the jurisdictions *only* U$500m in credit, while Nevada eventually offered a package of U$1.25bn. Besides the fiscal benefits offered, Nevada also had all other advantages pursued by Tesla: positive geographic location, close to the company's headquarters in California; Sun exposure, for the utilization of solar panels to provide all electrical needs of the factory; Natural resources for the production of lithium batteries; Labour legislation, as Nevada has a very favourable work regulation that will offer few bumps in the road regarding payments, Union influencing and strikes; Infrastructure; and qualified work force.

2 Nevada claimed there was no additional costs involved in this tax incentive package besides the exemptions and incentives previously examined. However, there is a clear case to analyse the opportunity cost of foregone tax revenue, the implementation of a tax increase over companies at same period (shifting the tax burden to small and medium companies) and the infrastructure development needed to accommodate the population expansion in Tesla factory site.

3 Very optimistic estimate of Property Tax, since the study considers that all new 6,500 staff as new residents coming from another State. While this most certainly will not be the case, it also demonstrates that the individuals benefiting from the Tesla factory won't be Nevada taxpayers in most cases, which should reflect the following conclusions: (i) State job displacement, will not generate new employment or revenue; or (b) Out-of-state residents, against the interest of Nevada residents and no new revenue.

As indicated previously, objectivity and lack of bias are essential for the development of a properly critical tax expenditure report. Reports which are overly influenced by politics will remove important factors that must be taken into account by resident taxpayers, government officials and researchers.

22 Nevada Governor's Office of Economic Development, 2014
23 Design and Assessment of Tax Incentives in Developing Countries – selected issues and a country experience. *United Nations and Inter-American Center of Tax Administration*. March 2018, page 96 to 103

E. THE NEED OF TAX EXPENDITURE REPORTING

Reporting on Tax Expenditure is a policy which brings a number of positive outcomes from a national fiscal policy perspective, especially for a developing nation. If Vietnam were to effectively implement this requirement, it would be able to analyze the successes and failures of each and every one of the tax exemptions and incentives offered to corporations and investors. It is only through such a transparent method that politicians and citizens can determine if all the foregone revenue generates enough positive results or if an exemption is unsuccessful and should be abolished.

However, for Tax Expenditure Reports to be effective in this purpose, they must be produced and developed without political bias or partiality. As demonstrated by the Tesla and Nevada examples above, the real potential value of a report is only fulfilled when the reporting entity assesses both the negative and positive aspects of a tax exemption/incentive without a pre-conceived result in mind. Otherwise, the reports will often be manipulated to deliver erroneous conclusions and fail to truly analyze a fiscal situation.

F. REFLECTION ON VIETNAM CONTEXT: PROMOTION OF LEGISLATION ON TAX EXPENDITURE AND GOVERNMENT FISCALIZATION

I. CURRENT LEGISLATION RELATING TO TAX EXPENDITURE REPORTING IN VIETNAM

Tax expenditure is a comparatively new term in Vietnam. It has not been cited in any legal document but newly appeared in a few research and reports. The State Budget Law, the highest legal document in the field of public finance and budget, regulates a set of different reports on revenue and expenditure which should be produced and publicized annually for public oversight. However, tax expenditure report is not in the list.

Although producing tax expenditure report is not required on an annual basis, it is still necessary to estimate tax expenditure whenever a new tax policy proposal being submitted to the National Assembly for approval. The Law on the Promulgation of Legal Documents in its Article 64 demands every drafted law should be submitted enclosed with a policy impact assessment report, which is thereafter required to cover following issues according to Article 6 of Decree No. 34/2016/ND-CP dated May 14, 2016:

- Economic impacts which are assessed based on cost – benefit analysis regarding business, production, consumption, business environment, competitivness, national or local economic development pattern, public expenditure, public investment and other economic issues.
- Social impacts which are assessed based on the analysis and forecasting of demographic issues, job creation, assets, healthcare, environment, poverty reduction, cultural and traditional values, community and other social issues.

- Gender impacts which are assessed based on the analysis and forecasting of socio-economic impacts regarding the opportunities, conditions and competencies to implement and enjoy gender's rights and benefits.
- Administrative impacts which are assessed based on the analysis and forecasting of the neccessity, legality, rationality and compliance cost to implement the proposal's administrative procedures.
- Impacts on legal system which are assessed based on the analysis and forecasting of the implementation and compliance of individuals and organizations; impacts on the State organization structure; impacts on the implementation and compliance of international treaties.

Following those guidelines, a policy impact assessment report should also be prepared when a tax policy proposal is submitted to the National Assembly. This report is expected to address several key questions:

- How does the proposal affect the economy as a whole?

(Depending on each tax policy, the report can put emphasis on the impacts of tax proposal on economic growth, investment, consumer price index, trade activity and so on).

- How does the proposal affect companies, individuals and taxpayers?
- How does the proposal affect state budget revenue?
- How does the proposal affect administration procedures?
- How does the proposal affect gender equality?

Usually the impacts of a tax proposal would be multidimensional and complicated. In many cases, it is difficult to decide whether it is good or bad and governments have made choices between different priorities. Answers to the above questions will help policy-makers make decisions based on cost - benefit analysis.

Following this regulation, a tax incentive proposal should also be assessed from different perspectives. Among which, revenue impact is an important factor that should be carefully considered given the government's fiscal position.

II. OVERVIEW OF THE VIETNAMESE TAX SYSTEM AND TAX EXPENDITURE

1. Overview of the Vietnamese tax system

The Vietnamese tax system consists of 9 types of tax:

a) Value added tax (VAT)

b) Excise tax

c) Corporate income tax

d) Personal income tax

e) Import, export tax

f) Agriculture land use tax

g) Non-agriculture land use tax

h) Environment protection tax

i) Natural resource tax

Besides the above taxes, there are also some other types of state revenue such as fees and charges, land rental, land use fee, etc. In 2016-2017, all of those sources contribute to the state revenue of about 25% of GDP annually, of which tax revenue accounts for about 22,7% of GDP. Among those taxes, value added tax is the most important one with the ratio to total revenue of 24%, followings are corporate income tax (including oil sector) and land use fee at the ratio of around 17% and 10% respectively[24].

2. Current tax incentives in some tax laws

Along with its development history, Vietnam has been offering a lot of tax incentives so as to attract investment, support taxpayers as well as help to achieve its social targets. Tax incentives are given in almost every tax law with the main incentives including:

a) Incentives in corporate income tax given to prioritized industries (agriculture, R&D, ICT, software, supporting industries, public services, etc.) and regions (disadvantaged areas) in forms of tax exemptions, tax reductions and reduced tax rates. Projects with large scale (having capital of at least 6 trillion VND) are also given incentives. Tax deductions are applicable to extra expenses involving female workers, ethnic minority workers; money invested in the company's R&D fund;

24 Source: Estimated from budget statistics, Ministry of Finance's website (www.mof.gov.vn).

loss carry forwarding, etc. Tax incentives can be lifelong or limited. The reduced tax rates include 17%, 15% and 10% while the standard tax rate is 20%.

b) Incentives in personal income tax in forms of exemptions for certain types of income (income derived from real estate transfer between family members, gifts and inheritance, sole residence, income from agriculture production, interests, etc.) and reductions for taxpayers in difficulty as a result of natural disasters, accidents or severe sickness.

c) Reduced VAT tax rate of 5% applied to 14 categories of products and services (fresh water, inputs and outputs of agriculture production, healthcare products, teaching and studying equipments, etc.) while the standard tax rate is 10%.

d) Exemptions in import duties applied to 23 imported items (imported materials for export processing, imported machineries to form fixed assets of projects in prioritized industries and regions, etc.).

e) Exemptions in agriculture land use tax and non-agriculture land use tax given to certain types of land and taxpayers (land used for R&D, land allocated to poor households, land used in projects in prioritized industries and regions, etc.).

f) Exemptions and reductions in land rental for projects in prioritized industries and regions.

g) Exemptions and reductions in charges and fees given to the children, the elderly, the disabled and poor households.

Garment factory in Vietnam © *Sam Tarling/Oxfam*

III. ASSESSMENT OF TAX EXPENDITURE IN VIETNAM

Vietnam has a long history of tax expenditure given to prioritized industries and regions to meet the country's development needs and even economic development between different regions. Before 2004, tax expenditure in the form of reduced tax rates were also applied to foreign companies to attract foreign direct investment. It is inevitable that tax expenditure policies have contributed to the country's economic growth, boosting investment, narrowing gaps between different regions at the same time ensuring social security. However, the efficiency and effectiveness of tax expenditure policies has not been clearly analyzed on a regular basis with appropriate methods.

To assess the efficiency of tax expenditure policies, several questions need to be addressed:

- Is the tax expenditure necessary to derive given targets?
- Has the tax expenditure brought about the desired outcomes (i.e. the development of prioritized industries and regions, income generation for people in those regions, etc.)?

- What are the costs and benefits of the tax expenditure?
- What is the opportunity cost of the tax expenditure?
- What are the long term impacts of the tax expenditure (tax base erosion, economic efficiency, etc.)?

Although these questions have been recently raised among researchers and policy-makers, the answers are still open as Vietnam has not developed a comprehensive legal framework and methodology for this issue. The current legislation only requires ex-ante assessment of tax expenditure in form of impact assessment report when submitting a tax proposal. However, this report is usually conducted on a qualitative basis rather than a quantitative one. The impacts of tax proposals on investment, jobs, savings, production and the economy as a whole are sometimes assessed on a theoretical basis without empirical evidence. The impact on budget revenue is assessed quantitatively though it is not comprehensive due to the lack of input data and adequate forecasting model. As it is not required by law, the ex-post assessment of tax expenditure is not conducted on a regular and compulsory basis. Data on revenue foregone is neither available nor reflected in the reporting system. Analysis framework for redundancy, cost-benefit, opportunity cost and efficiency of tax incentive policies has not adequately developed.

As a result, there has not been a comprehensive assessment on overall impacts and efficiency of tax expenditure to date. This therefore affects not only the transparency of the tax system and the accountability of related government agencies but also the effectiveness of tax policies as a tool for regulating the economy.

Statistics on foreign direct investment in Vietnam reveals that the effects of tax incentives to prioritized industries and regions seem to be limited since foreign companies tend to concentrate in developed areas[25] and profit seeking industries. Among those benefited from tax incentives, companies in software, R&D and high technology industries are leading with most of the tax expenditure allocated to few big companies. According to a recent survey by Grant Thornton on private equity prospect in Vietnam, 69% of the replies consider the rising of disposal income and middle-income class as the most important factor for investing in Vietnam; 60% consider high and stable economic growth and only 13% consider government incentives and subsidies as the most important factor[26]. These facts suggest that Vietnam should carefully review its current tax incentive policies, assess the efficiency of tax incentives in achieving the country's targets and attracting investment. Unnecessary and inefficient tax incentives must be reduced or eliminated so as to keep the tax system neutral and efficient. In addition, tax expenditure reporting needs to be conducted on a regular and comprehensive basis to make tax system more transparent and accountable.

25 Projects in developed provinces as Hanoi, Ho Chi Minh city, Binh Duong, Ba Ria – Vung Tau, Dong Nai, Bac Ninh, Hai Phong... account for 83% of total projects and 67% of total capital investment; while projects in less developed regions (central highlands, northern mountainous provinces) account for only 4% of total projects and 5% of total capital investment.

26 Grant Thornton (2018), "Private Equity in Vietnam: Growth expectation".

New buildings in Hanoi © *Sam Tarling/Oxfam*

IV. RECOMMENDATIONS ON TAX EXPENDITURE REPORTING FOR VIETNAM

As tax expenditure reporting is new in Vietnam, a number of issues should be considered to make it feasible.

- **Legal framework.** In order to make tax expenditure more transparent and available for public oversight like other types of government expenditure, it is necessary to require tax expenditure report to be submitted together with annual budget documents[27]. The inclusion of tax expenditure in annual budget documents would help the legislation have an overview on total expenditure, both direct and indirect one, and assess the efficiency as well as opportunity cost of tax expenditure. To make it feasible, it is recommended that tax expenditure report to be included in annual budget documents under Article 47 of the State Budget Law. Once it is bound by law, the government and Ministry of Finance will develop guidelines and database for tax expenditure reporting and make tax expenditure report on an annual basis.

- **Methodology and database.** As discussed above, a comprehensive methodology for evaluating tax expenditure has not been developed in Vietnam. Other countries' experience suggests that tax expenditure should be evaluated based on cost-benefit analysis, of which a number of factors need to be considered as the relevance, effectiveness and efficiency of the tax expenditure in question as well as its direct, indirect and induced impacts. A model which can capture both direct and indirect impacts of tax expenditure such as CGE model is a good option for tax expenditure estimation. However, in the context that the database for CGE model is not available or insufficient at present, the government may start to report tax expenditure through estimating the revenue foregone, a popular method that many countries have been applying as it is simple and easy to implement. To estimate revenue foregone, tax authority need to develop guidelines and reporting system which records all tax expenditure data by categories as tax exemptions, tax deductions, tax credits and reduced tax rates, etc.

- **Capacity building.** Common knowledge and guidelines on tax expenditure and tax expenditure reporting should be disseminated to tax and budget authorities at both central and local levels. At the central level, officers in charge of assessing impacts of tax proposals and making tax expenditure reports should be equipped with intensive knowledge, expertise and methodology on tax expenditure and forecasting models.

27 Currently, the State Budget Law requires following documents to be submitted at the National Assembly's annual November meeting: review of budget execution in current fiscal year; revenue estimates in the next fiscal year; expenditure estimates in the next fiscal year; 05 year fiscal plan; 03 year fiscal plan; public debt report; report on financial status of extra-budgetary funds, etc.

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