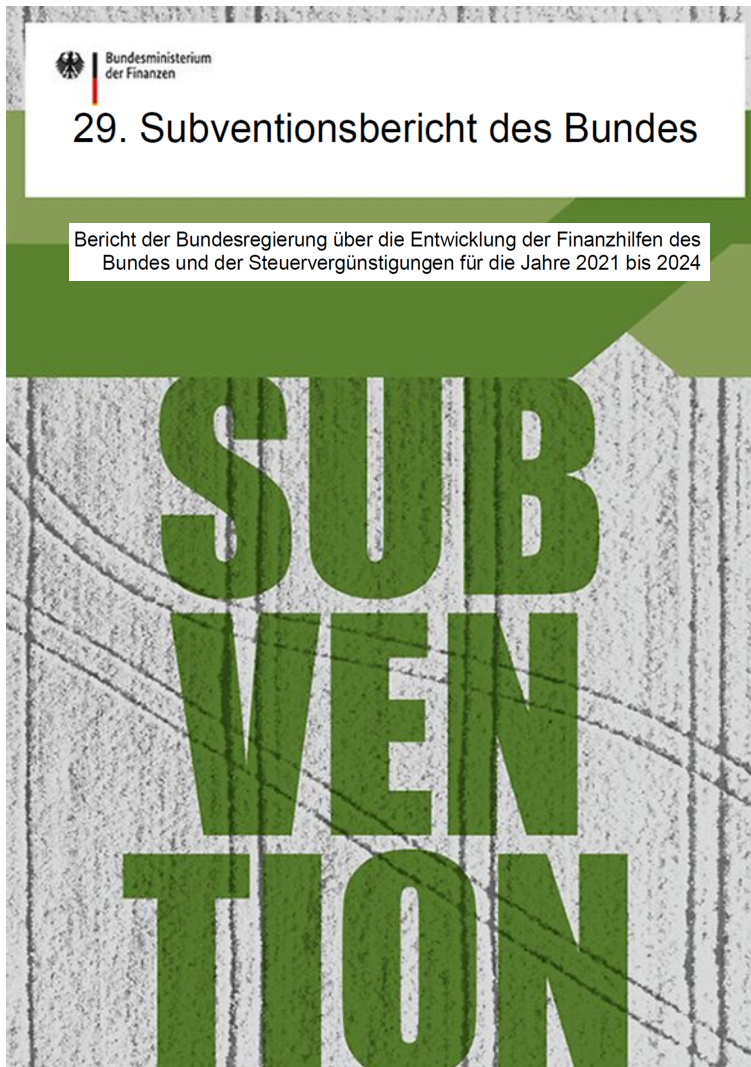


# Evaluation of Tax Expenditures in Germany

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ECLAC Subregional headquarters in Mexico  
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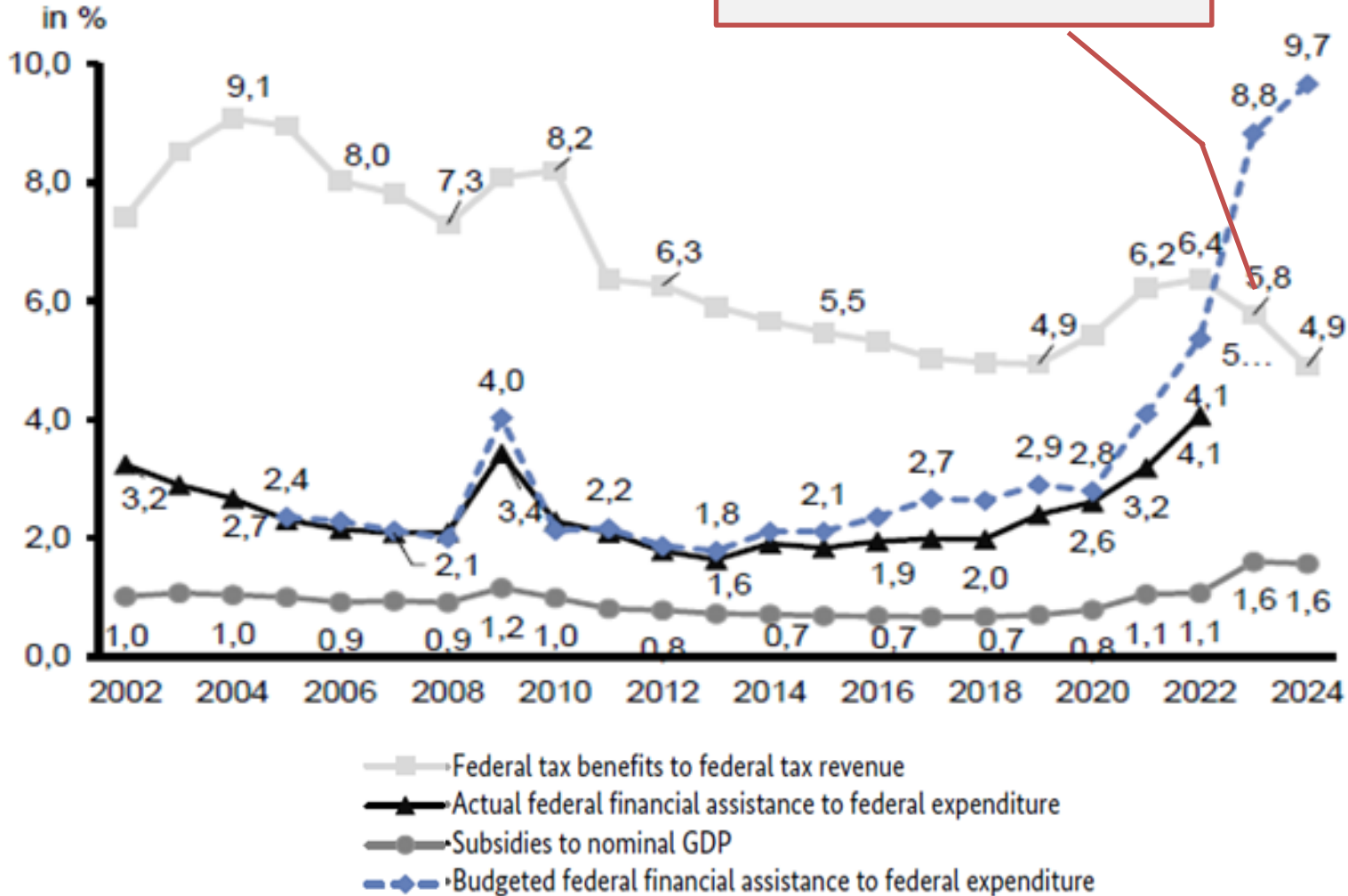
# Background on subsidies and tax expenditures in Germany



- 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 No. 29:** Overview articles plus detailed coverage of individual programs (2023 with 9 annexes, ca. 610 pages)
- **TE Evaluations:** External evaluation implemented by economic research institutes plus internal MoF-evaluations. Coverage: External: 68,4 % , internal 1,7 % (of volume)
- **Federal Court of Auditors occasionally** also covers tax expenditures, often supporting the external evaluators.



# Subsidy ratios: Federal budget

2023: Federal revenue loss 20.7 bn EUR from 108 tax expenditures

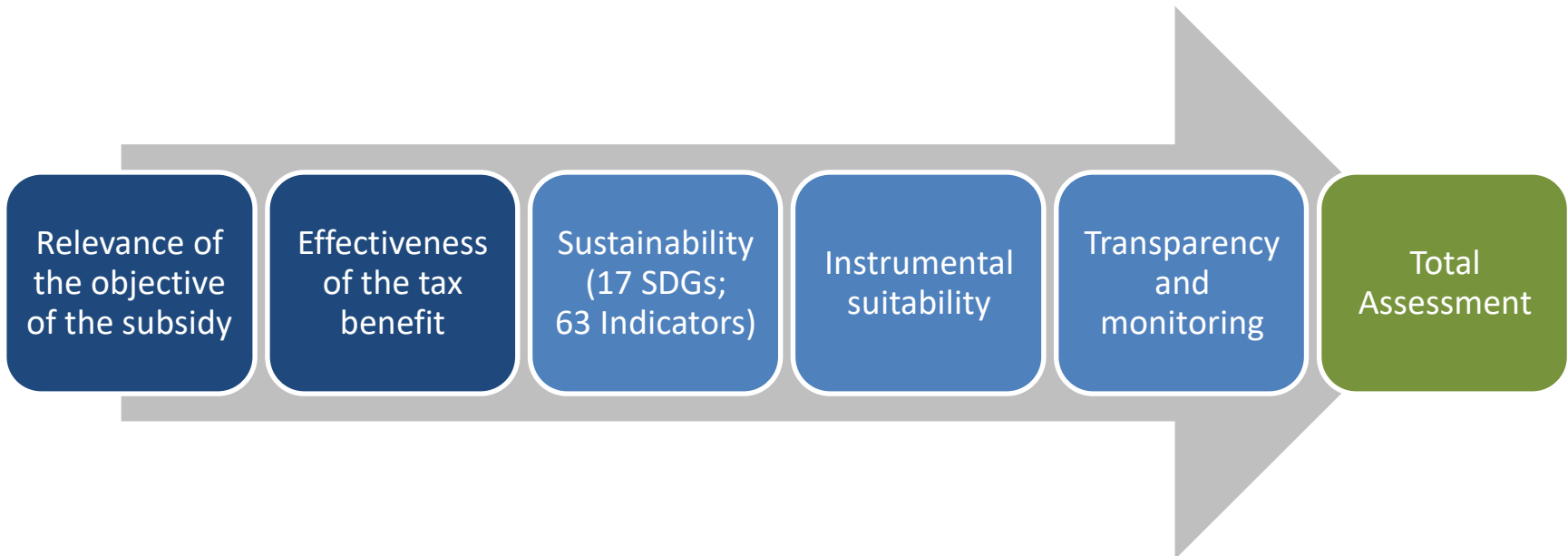


Source: 29. Subventionsbericht. BMF Berlin.






# Evaluation of Tax Expenditures: Two big rounds

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

# Dimensions of the Evaluation



# Scores defined for and used in the second evaluation round

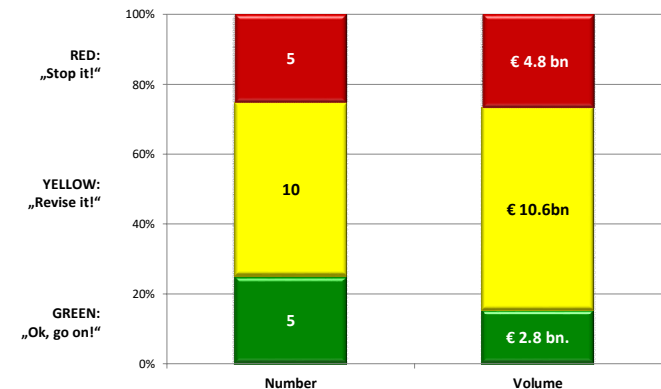
	Insufficient	0,00	Not acceptable in any way
	Weak	0,25	Findings remain noticeably behind the expected; there is an urgent need for adaptation
	Sufficient	0,50	Alike school grade "C", i.e. lowest passing grade.
	Good	0,75	Good enough. No urgent need for improvement. But certainly room for improvement.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

# Excerpt from: 2019-Scores for income taxes benefits

Nr.	Steuervergünstigung	Relevanz	Wirkungen	Nachhaltigkeit	Instrumentelle Eignung	Transparenz u. Monitoring	Gesamtbewertung
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: 2<sup>nd</sup> round 2019 (above), 1<sup>st</sup> 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
<b>Total Assessment</b>	0	6	16	11	0	33

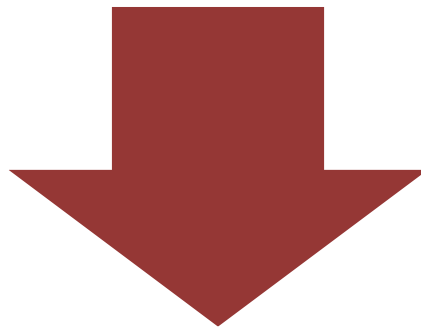




# Were the German evaluations successful or not?



**Yes.** Substantial improvement of knowledge, transparency and accountability. Indirectly increased standards for other parts off the budget.



**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!

## Evaluation of Tax Expenditures in Germany

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