



National Audit Office

---

## **Report**

by the Comptroller  
and Auditor General

---

## **HM Revenue & Customs**

# The effective management of tax reliefs

## **Appendix Five**

---

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 820 employees. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.1 billion in 2013.

# Appendix Five

An international comparison of the administration  
of tax expenditures

We commissioned the Tax Administration Research Centre to research the administration of tax expenditures in 10 countries. They compared practices for measurement, reporting, and evaluation of tax expenditures. Their analysis used government publications and information on government websites, publications by academic researchers and independent institutions.

The key questions the research sought to answer are:

- How do countries other than the UK administer and monitor tax expenditures?
- How does administration differ between countries and between different tax expenditures?
- What does good administration look like?

**Figure 1** below compares the extent of good administrative practice for the countries studied. It reveals the extent to which the quality of administration varies among the countries and emphasises what can be achieved with the current best practice. Practices in the UK are consistent with many practices commonly used in other countries. It is one of only a handful of countries to publish cost data for more than 100 tax reliefs. It is one of a few countries that has used caps to limit use of some tax expenditures. Germany, the Netherlands and the USA demonstrate good practice in the most areas. What primarily distinguishes these countries from the UK are the review processes that are in place. The UK could adopt other practices including categorising by objective, transparency around costing estimates, and setting parameters for evaluations.

**Figure 1**

International comparison of good practices in the administration of tax expenditures: Financial Management

	Number of tax expenditures	Number of tax expenditures whose costs are known	Narrower, broader or similar definition to UK	Categorisation		Alignment with public spending	Costing techniques				Budgetary controls on Tax Expenditures	
				By Objective	By Tax		Revenue foregone	Behavioural assumptions	Present value	Combined effect	Annual cap on individual tax expenditures	Overall limit on public spending
Australia	363	211	Similar	✓	✓	✓	✓	✗	✗	✗	✗	✗
Canada	233	185	Similar	✗	✓	✓	✓	✗	✗	✗	✗	✓
Chile	No information	No information	Similar	✗	✗	✗	✓	✓	✓	✓	✗	✗
France	470	470	Similar	✓	✓	✓	✓	✗	✗	✓	✗	✓
Germany	102	102	Broader	✓	✗	✓	✓	✗	✗	✗	✗	✓
Ireland	115	Handful	Similar (note 2)	✓	✗	✗	✓	✗	✗	✗	✗	✓
Netherlands	98	Unknown	Similar	✓	✓	✓	✓	✗	✗	✗	✓	✓
New Zealand	34	8	Similar	✓	✗	✓	✓	✗	✗	✗	✗	✓
Spain	160+	160	Narrower	✓	✓	✓	✓	✗	✗	✓	✗	✗
USA	182	182	Similar	✓	✗	✗	✓	✗	✓	✗	✗	✗
UK	46+	46	-	✗	✓	✗	✓	✗	✗	✗	✓	✗

**NOTES**

1. '✓' demonstrates this example of good practice is undertaken and '✗' reflects where good practice is lacking
2. The Irish Commission on Taxation recommended using the OECD definition of a Tax Expenditure.

Source: Tax Administration Research Centre and NAO assessment for UK

**Figure 1 continued**

International comparison of good practices in the administration of tax expenditures: Monitoring and Review

	Monitoring	Transparency			Triggers for review			Parameters for evaluation			Sunset clause
		Published analysis	Highlighted changes	Use of external evaluation	Regular cycle	Change in legislation	Size	Serves purpose	Cost efficiency	Public interest	
Australia	✓	✓	✓	✗	✗	✓	✗	✗	✗	✗	✗
Canada	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗
Chile	✓	✓	✓	✓	✓	No information	No information	✓	✓	No information	✓
France	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗
Germany	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓
Ireland	✓	✗	✗	✓	✓	✗	✓	✗	✗	✗	✗
Netherlands	✓	✓	✓	✗	✓	✗	✗	✓	✓	✓	✗
New Zealand	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗
Spain	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗
USA	✓	✓	✓	✓	✗	✓	✗	✓	✓	✓	✓
UK	✓	✗	✗	✓	✗	✓	✗	✗	✗	✗	✓

**NOTES**

1. “✓” demonstrates this example of good practice is undertaken and ‘✗’ reflects where good practice is lacking

Source: Tax Administration Research Centre and NAO assessment for UK

---

© National Audit Office 2014

The material featured in this document is subject to National Audit Office (NAO) copyright. The material may be copied or reproduced for non-commercial purposes only, namely reproduction for research, private study or for limited internal circulation within an organisation for the purpose of review.

Copying for non-commercial purposes is subject to the material being accompanied by a sufficient acknowledgement, reproduced accurately, and not being used in a misleading context. To reproduce NAO copyright material for any other use, you must contact [copyright@nao.gsi.gov.uk](mailto:copyright@nao.gsi.gov.uk). Please tell us who you are, the organisation you represent (if any) and how and why you wish to use our material. Please include your full contact details: name, address, telephone number and email.

Please note that the material featured in this document may not be reproduced for commercial gain without the NAO's express and direct permission and that the NAO reserves its right to pursue copyright infringement proceedings against individuals or companies who reproduce material for commercial gain without our permission.

Links to external websites were valid at the time of publication of this report. The National Audit Office is not responsible for the future validity of the links.



National Audit Office