

Roundtable “Tax Expenditures and Tax Incentives for Investment: Challenges and Opportunities in India and Beyond”

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Background

Tax expenditures (TEs) provide preferential tax treatments that lower government revenue and the tax liability of the beneficiary. Their impact is sizeable: according to the [Global Tax Expenditures Database \(GTED\)](#), the global average revenue forgone over the 1990-2022 period is 3.8 percent of GDP and 23.0 percent of tax revenue. Several G20 countries such as Australia, Canada and the United States forgo more than 6 percent of GDP in government revenues through tax expenditures.

Besides their widespread use and magnitude, the lack of transparency in the TE field is often striking: according to the latest version of the GTED, half of the 218 jurisdictions surveyed worldwide do not publish any official reports on TEs. Moreover, as shown by the [Global Tax Expenditures Transparency Index \(GTETI\)](#), even when information on TEs is published, the quality, regularity and scope of disclosure are very diverse, and often strikingly poor.

TEs are often implemented for a good reason as governments worldwide use TEs to pursue different policy goals such as greening the economy, mitigating inequality and attracting investment. Indeed, the use of tax incentives for investment has been a long standing issue in the international tax arena. Whereas the effectiveness of tax incentives as means to boost investment is far from undisputed, there is a broad consensus regarding the negative spillover effects that some of these provisions can trigger on other economies.

Against this backdrop, the use of tax incentives for investment are at the center of the discussions regarding the introduction of a global minimum tax in the context of the GloBE project coordinated by the OECD.

In India, the statement of revenue forgone is published annually with the union budget. According to the latest figures, the revenue forgone stemming from TEs in the country accounts to 1.15 percent of GDP, considerably below the global average (3.8 percent, as mentioned before). These reports are insightful and help understand the nature and extent of TEs offered by the country. However, a more detailed assessment against benchmarks of transparency and comprehensiveness suggests that improved ex-ante evaluation of policy outcomes as well as the inclusion of GST-related TE could yield a more accurate understanding of the fiscal impact of TEs.

As many other countries, India has in the recent years engaged in a process to rationalize the use of tax incentives for investment and, more in general, simplify the tax system. Going forward, India’s efforts to simplify its tax system along with adoption of GloBE will have implications for the use of tax incentives. Whereas revisiting the use tax incentives might be challenging, it should also be seen as an opportunity to re-think those [incentives that have been not been cost-effective](#).

International and regional engagement can improve TE policy making, for instance but not only in the international tax field. Yet, the existing differences in governance and institutional set-ups make TE

policymaking a topic that needs to be discussed at the national level. Against this backdrop, CEP and the German Institute of Development and sustainability (IDOS) has recently launched the series [Tax Expenditures Country Reports \(TECRs\)](#), which consists of country-specific reports that follow a standardized structure and provide a deep dive into national TE systems. Each TECR is focused on topics such as TE transparency, the fiscal cost of TEs, TE benchmarking, TE evaluations and the political economy surrounding TEs. The [TECR for India](#) was published in October 2024, and will be presented during the event.

Preliminary Agenda

10.00-10.30	<i>Registration</i>
10.30-10.45	Welcome and opening remarks
10.45-11.15	Presentation of the TECR for India by Priya Sahu and Q&A
11.15-12.30	Open discussion on tax expenditure policy in India
12.30-13.30	<i>Light lunch</i>
13.30-14.00	Presentation on tax incentives for investment and the GloBE Rules by Suranjali Tandon and Q&A
14.00-15.15	Open discussion on tax incentives for investment and the GloBE Rules
15.15-15.30	<i>Closing remarks</i>

Contact: Should you have questions about the event, please reach out to Suranjali Tandon (suranjali.tandon@nipfp.org.in) or Agustin Redonda (ar@cepweb.org)