Voluntary Minimum Standards for Tax Expenditure Reporting:

What are they and why are they important

DRAFT FOR CONSULTATION

Interested parties are invited to send their comments to the authors no later than September 30, 2026, by e-mail addressed to tax@iisd.org.

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Background

Tax expenditures (TEs)—such as exemptions, deductions, credits, and reduced rates—are widespread tax policy tools. While they can play an important role in supporting investment, welfare policies, and economic transformation, they are often costly, poorly governed, and weakly scrutinized.

Evidence from the Global Tax Expenditures Database (GTED) shows that reported revenue foregone by governments worldwide lies around USD 4 trillion per year, which accounts for 3.7% of GDP and 23% of total tax revenue, on average. At a time of tight fiscal space, high debt burdens, and growing demands for investment in infrastructure, health, education, and climate action, reforming TEs represents a critical opportunity to free up fiscal space, strengthen domestic revenue mobilization, and redirect public resources toward national economic and development priorities. The Compromiso de Sevilla—the political outcome document of the Fourth Financing for Development Conference—and the Addis Tax Initiative Seville Declaration on Domestic Resource Mobilization reflect the global concern around TE reform.

All too often, however, reforming ineffective or harmful TEs proves to be challenging. A lack of reliable information on the overall impact of TEs, and on the TE regimes of other countries, plays a critical role in this regard. Therefore, enhancing TE reporting practices on an international scale is a necessary step toward successful TE reform.

The **Coalition on Tax Expenditure Reform (COATE)** is a global multistakeholder initiative founded by five institutions: Council on Economic Policies, German Institute of Development and Sustainability, International Centre for Tax and Development, International Institute for Sustainable Development (IISD), and ODI Global. Launched in 2025 as an initiative of the Sevilla Platform for Action, the Coalition has been endorsed by the governments of Brazil, France, Guinea, Nigeria, Rwanda, Senegal, Spain, and the United Kingdom, as well as the United Nations Development Programme.

As part of its engagement to promote the design, implementation, monitoring, and reform of TEs in ways that are transparent, evidence-driven, and aligned with the United Nations Sustainable Development Goals, COATE encourages enhanced oversight and management of TEs. In this context, the Coalition proposes to develop voluntary minimum standards for TE reporting.

Reporting on Tax Expenditures

Regular, specific, and transparent reporting is a cornerstone of sound TE governance. Given the size and long-term fiscal consequences of TEs, it is critical for legislators, policy-makers and other stakeholders to have access to detailed information about the fiscal cost (in terms of revenue foregone) and impact of the measures that are in place. Against this background, it is encouraging that the number of countries that issue such reports has steadily increased over the last few years. When the GTED was launched in 2021, it covered 97 out of 218 countries and jurisdictions worldwide. Today, the number stands at 116 and is likely to grow further, as more governments acknowledge the relevance of reporting (Redonda et al., 2025).

However, the GTED also reveals huge variation in the quality of TE reporting. TE reports cover a highly diverse set of public documents, ranging from annual, comprehensive reports on TEs that are part of governmental budget documentation to individual documents issued by public bodies and providing some aggregate information on a few specific TEs. It is important to note that provision-level data is a key driver of evidence-based policy-making and a prerequisite for any informed debate about the TE reform. Without provision-level data, no meaningful TE evaluation can be conducted.

However, only a minority of countries regularly publish reports with provision-level data. Until recently, there were hardly any opportunities for governments to exchange information on issues such as the definition of benchmark tax systems and the estimation of revenue foregone—both key elements of comprehensive TE reporting.

Why Minimum Standards?

The development of voluntary minimum standards for TE reporting is guided by the following overarching question: What do policy-makers and other stakeholders need to know to make informed decisions on the use of tax expenditures?

Minimum standards for TE reporting should contribute to three general objectives:

- **making the invisible visible**: TEs can be a major drain on public coffers, but they often fly under the radar of public scrutiny and political debate. If introduced without a sunset clause, they tend to remain in force indefinitely. It is quite common that neither their fiscal costs nor their degree of goal attainment is properly assessed. Hence, an important function of TE reports is to drag these measures out of the shadow and provide an evidence base for public debate and political decision making.
- **building the capacity to act**: TE reporting does not only follow a logic of transparency and accountability. It is also a key pillar of sound fiscal policy-making. Governments that produce regular and comprehensive reports integrated into their budget processes tend to invest more in the general governance of TEs. They organize the exchange of critical data on TE use across different governmental bodies. In the preparation and publication of reports, they engage in consultations with ministries, legislators, other stakeholders, and the general public. They create structures that allow them to maintain a general overview of the TEs in use. Not least, in designing and introducing new TEs, they already consider the data and monitoring systems required to create meaningful reports.
- **creating the political will to reform**: Reforming or eliminating poorly designed provisions often implies engaging in political debate and negotiation with powerful societal groups who feel that they are entitled to receive certain benefits and seek to maintain them. By shedding light on TEs, governments are better prepared to lead these debates from a common-good perspective. There is an international dimension, too. Properly communicated in TE reports, reforms, methodological approaches, or institutional solutions applied in one country can inspire similar processes in other countries as well. In this sense, minimum standards facilitate the flow of knowledge and exchange of experiences across countries.

Our Proposal: Four principles, 12 indicators

There are four key principles that determine the usefulness of tax expenditure reports: regularity, specificity, transparency, and budget integration. This section introduces the four principles and suggests a set of 12 indicators to capture their essence.[1] A detailed table with the principles, indicators, and information on their measurement is provided in Appendix A.

1. **Regularity** requires that governments publish TE reports on an annual cycle, so that decision-makers and other stakeholders know when to expect the information and which fiscal period each report covers. Reports should be linked to the budget cycle, with coordination strengthened and TE data exchanged systematically among relevant government bodies (IISD et al., 2026).

Indicators:

- Indicator 1: Frequency and regularity—How regularly and frequently are TE reports published?
- This indicator evaluates the frequency at which TE reports have been published, and whether there are gaps, i.e., years where no TE report was issued. The time span covers the last 5 years, or every year after the year of publication of the first report.
- Indicator 2: Timeliness—Does the TE report published in year t provide data for the most recent fiscal year (t-1)?

This indicator assesses whether, at the moment of publication (fiscal year t), TE reports contain the most up-to-date TE data, i.e., data for the previous year (year t-1).

2. **Specificity** means that the TE report contains a comprehensive inventory of all TE provisions, with information provided at the individual provision level. As a minimum, this should include revenue foregone estimates, together with the contextual information needed to interpret them: notably the policy objective, targeted beneficiaries, and legal basis for each provision (IISD et al., 2026; Redonda et al., 2026). Where a revenue foregone estimate cannot be provided, the report should explain why (Redonda et al., 2026).

- Indicator 3: Information on tax expenditure coverage—To what extent does the TE report cover all TEs available at the national level?

  This indicator assesses the coverage of the TE report in terms of the main types of taxes that exist at the national level: corporate income tax, personal income tax, value added tax/goods and services tax, excise taxes, etc.

- Indicator 4: Disaggregation of revenue foregone—How is revenue foregone data presented in the TE report?

[1] The four principles were first articulated in IISD et al. (2026). The indicators draw on and adapt the framework of the Global Tax Expenditures Transparency Index; see Redonda et al. (2026). The definitions and indicator descriptions in this section follow the source texts closely.

This indicator assesses the share of total revenue foregone estimates provided at the individual TE provision level, or the provision of overall estimates, e.g., grouped by type of tax or policy goal.

- Indicator 5: Information on policy objective—To what extent is information on the policy objective(s) of available TEs included in the TE report?

  This indicator assesses the extent (share of total revenue foregone) to which TE policy objectives are disclosed.

- Indicator 6: Information on beneficiaries—To what extent is information on beneficiaries of existing TEs included in the TE report?

  This indicator measures whether the TE report provides information regarding the beneficiaries of TE provisions, looking into the number of beneficiaries as well as the targeted or intended beneficiaries or beneficiary groups.

- Indicator 7: Legal references—To what extent are legal references for available TEs included in the TE report?

  This indicator assesses the scope and degree of detail of the information regarding the legal provision (tax law, investment promotion law, or similar, including references to the specific article, section, etc.) where TEs are generated.

3. **Transparency** means that governments publish information on all TEs in use. TEs function as public spending delivered through the tax system, and yet there is usually a significant difference in the level of transparency between fiscal policy instruments. Making TEs visible, measurable, and open to scrutiny is vital to enhance transparency and accountability, which are key drivers of legitimacy and public trust. Thus, the TE report must be easily accessible to the public in general and to political decision-makers, including legislators.

Indicators:

- Indicator 8: Online accessibility—How accessible is the TE report and its underlying data online?

  This indicator evaluates the ease with which the TE report (and the underlying data) can be found on official websites.

- Indicator 9: Submission to parliament—Is the TE report shared with the Parliament or National Assembly?

  This indicator evaluates whether the TE report is submitted to the Parliament or National Assembly, in practice and/or pursuant to a legal obligation.

- Indicator 10: Tax benchmark explanation—To what extent is the tax benchmark used in the country specified in the report?

4. **Budget integration** means that the TE report is integrated in the budget cycle and contains foregone revenue forecasts for the budget year, i.e., fiscal year t+1, which follows the publication year t.

Indicators:

- Indicator 11: Budget cycle integration—Does the Executive's Budget Proposal (EBP) or its supporting documentation include information on TEs?
- Indicator 12: Revenue foregone forecasts—To what extent are foregone revenue forecasts (at least, for year t+1) provided in the TE report?

Easy and Transparent Monitoring

As can be seen from the list above and the table in Appendix A, the indicators proposed in this document are all derived—either directly or slightly modified—from the Global Tax Expenditures Transparency Index (GTETI), which is the first comparative assessment of TE reporting, covering countries worldwide. The GTETI provides a systematic framework for ranking countries by the regularity, quality, and scope of their TE reports. It assesses countries across five dimensions, using 25 indicators, and follows a normative approach. Hence, a full score on any of the GTETI indicators implies that the country under scrutiny is achieving the highest standard on that respective aspect of TE reporting.

As mentioned above, the minimum standards proposed here follow a different logic. They are set up to map those TE reporting practices that are needed to allow governments and other stakeholders to use the reports meaningfully for public policy-making and informed debates. In other words, whereas the GTETI indicators are based on what an ideal TE report should be, the minimum standards proposed here are significantly narrower and less ambitious.

That said, linking the voluntary minimum standards to the GTETI offers important advantages for monitoring and exchange. The GTETI is issued every 2 years, meaning that the information it contains is always kept relatively up to date. At the same time, given the open character of the GTETI, governments and other interested parties have full access to the data and can directly check where they (or third countries) stand with regard to the minimum requirements. Since all country data are shared with the respective governments prior to publication, there is also an opportunity to clarify any doubts or differences regarding individual indicators in direct interaction with the Tax Expenditures Lab, which runs both the GTETI and the GTED.

Consultation and Timeline

COATE plans to launch a consultation process to gather input from a wide range of stakeholders. For two months, the draft report will be subject to a broad and targeted consultation process designed to enhance the drafting process and maximize the buy-in of relevant stakeholders and hence, the impact of the project.

The consultation will seek to maximize the diversity of perspectives and expertise by reaching out to representatives from governments, international and regional organizations, academia, and civil society organizations. Participants will be invited to provide written comments and, where appropriate, to take part in focused discussions.

This approach will ensure that the drafting process benefits from extensive, structured, and balanced feedback across stakeholder groups, while keeping the resources required to deal with the consultation process at a manageable level.

The proposed timeline is as follows:

- **August**: Consultation process begins
- **September**: Consultation process ends
- **November**: Publication and launch of the voluntary minimum standards

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Appendix A. List of Principles and Indicators[2]

Principle	Minimum standard	Indicators to meet the minimum standard	Source and scores needed to meet the minimum standard	Comments
Regularity	The tax expenditure (TE) report is published regularly and provides timely information.	Reports are published every 2 years, at a **regular pace**; OR reports are published every year at a **generally regular pace**; OR reports are published annually at a regular pace, but the latest report is not dated; OR the country has issued the first TE report during the assessment period.	Global Tax Expenditures Transparency Index (GTETI) Indicator 1.1 "Frequency and Regularity" Scores A and B	Indicator slightly modified from GTETI. It includes a clause for first reporting countries, which is not there in the GTETI and, hence, has to be assessed separately. "**Regular pace**" means that no expected publication has been missed after the publication of the first report. "**Generally regular pace**" means that a country has missed one expected publication.
		The report published in fiscal year t provides data for the most recent fiscal year (t-1); OR the previous one (t-2).	GTETI Indicator 1.2 "Timeliness" Scores A and B	

[2] Scoring criteria reproduced/adapted from the GTETI Scoring Sheet in Appendix 2 of Redonda et al., 2026.

Principle	Minimum standard	Indicators to meet the minimum standard	Source and scores needed to meet the minimum standard	Comments
Specificity	The TE report contains a comprehensive inventory of TE provisions providing information at the individual TE provision level for all TEs, and including policy objectives, targeted beneficiaries as well as the legal basis where TEs are triggered. In addition, the TE report includes revenue foregone estimates for TE provisions (or an explanation in those cases where estimations are not available).	The report provides an explanation of which TEs are covered; AND **certain** types of taxes available at the national level are missing from the report.	GTETI Indicator 3.1 "TE Coverage" Scores A to D	"**Certain**" means that one or more taxes available at the national level are not included or explicitly highlighted as integrated in the benchmark, nor within the structural tax measures category.
		Revenue foregone estimates are provided at the individual TE level for **some** types of taxes; AND aggregates are provided for other types of tax.	GTETI Indicator 5.1 "Disaggregation of Revenue Forgone" Scores A to C	"**Some**" means <50% of TE provisions.
		By TE provision, the report includes information on policy objectives, for **some** TEs; OR the report only includes information on the TE policy objectives for groups of TE provisions without specifying policy objectives by TE.	GTETI Indicator 4.1 "Policy Objectives" Scores A to D	"**Some**" means <50% of TE provisions.
		The report includes information on the number of beneficiaries BUT target groups are not systematically specified; OR the report only includes information on target beneficiary groups BUT no numbers of beneficiaries are provided.	GTETI Indicator 4.3 "Beneficiaries" Scores A to D	

Principle	Minimum standard	Indicators to meet the minimum standard	Source and scores needed to meet the minimum standard	Comments
		By TE provision, the report includes **specific** legal reference information for **many** TEs.	GTETI Indicator 4.5 "Legal Reference" Scores A to C	"**Specific**" means that the legal reference includes information on the tax act, tax law, investment contract or similar; including references to the specific article, section, etc.). "**Many**" means 50%–74% of TE provisions.
Transparency	The TE report is easily accessible to the public in general and to political decision-makers, including legislators, and provides a working definition of the TE concept.	The latest TE report is published online on an official website, e.g., the website of the MoF, the revenue authority, parliament or any other governmental institution.	Can be tracked through GTETI Indicator 1.4 "Online Accessibility," but the GTETI scoring does not exactly apply.	Indicator slightly modified from GTETI. It requires the latest TE report to be published online, but "number of clicks" and "accessibility of underlying data" are not considered.
		There is a legal requirement to submit the TE report to the Parliament OR there are indications of **de facto submission**.	GTETI Indicator 2.2 "Submission to Parliament" Scores A and B	"**De facto submission**" includes direct inclusion, annexation, or clear official referencing, citation or hyperlinking of the TE report in the EBP or any other official document submitted to the Parliament.

Principle	Minimum standard	Indicators to meet the minimum standard	Source and scores needed to meet the minimum standard	Comments
		The benchmark is explained by type of tax or type of TE.	Can be tracked through GTETI Indicator 3.2 "Definition of the Benchmark Tax System," but the GTETI scoring does not exactly apply.	Indicator slightly modified from GTETI. It does not include international treaties.
Budget integration	The TE report published in fiscal year t is integrated into the budget cycle and contains revenue foregone forecasts for the budget year (typically the fiscal year following the year of publication, t+1).	The TE report is included in the EBP, but it provides **limited** disaggregation of revenue foregone by TE provision or only aggregated revenue foregone OR the TE report is not included in the EBP, but the EBP documentation contains **substantive** TE information.	GTETI Indicator 2.4 "Budget Cycle Integration" Scores A to C	"**Limited**" means that < 50% of TE provisions provide revenue foregone estimates. "**Substantive**" means that the information in the EBP includes revenue foregone estimates and goes beyond isolated references.
		Revenue foregone forecasts covering only 1 year are provided in the report.	GTETI Indicator 5.3 "Revenue Forgone Forecasts" Scores A to E	

** Note: Further details on the definition of terms and threshold values by indicator are available in the [GTETI Companion Paper].*

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