



**Workshop on Tax Incentives and Base Protection  
New York, 23-24 April 2015**

**Country Responses to the QUESTIONNAIRE**

**Introduction**

This is a summary of country responses to the questionnaire on tax incentives. A total of 13 responses were received. The country responses include input from 4 countries in Africa, 2 countries in Asia and 6 Latin American countries. The contents below indicate the questions which were posted to the countries in the questionnaire and the summary of country responses.

**1. General Conditions**

**1.1 What type of tax incentives does your country use or has used in the past?**

Generally, it can be said that more countries are currently using tax incentives. The table below highlights the country responses on the current status and the previous experience on the use of different types of tax incentives in respective countries.

<b>Type of tax Incentive</b>	<b>Number of countries out of a total of 13 which currently use this type of tax incentive</b>	<b>Number of countries out of a total of 13 which used this type of tax incentive in the past</b>
Tax holidays	10	6
Reduced rates	11	2
Investment allowances or credits	11	5
VAT exemption/ reductions	10	2
Research and development tax incentives	9	1
Special economic zones	11	3
Payroll tax holiday	2	3

**1.2 Does your country maintain an inventory of tax incentives?**

Most countries maintain an inventory of tax incentives; out of a total of 13, 10 countries maintain an inventory of tax incentives.

### 1.3 Does your country maintain an inventory of non-tax incentives for investment?

The majority of countries do not maintain an inventory of non-tax incentives. The country responses indicate that only 4 of the 13 countries maintain such an inventory.

### 1.4 What is the rationale for your government deciding to use tax incentives?

It is observed that the most of countries' main reason for the governments' decision to use tax incentives is due to tax competition from neighbouring countries that share similar economic environment. However a significant number of countries also mentioned the other reasons as influencing the decisions around tax incentives.

The table below indicates the country responses which points out the reasons behind the governments' use of tax incentives.

<b>Rationale for the use of tax incentives</b>	<b>Number of countries out of a total of 13 which supports the rationale</b>
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(a)

## **2.2 Which departments or agencies are involved in approving tax incentives for specific investors?**

Generally across the countries the following are the departments that are involved in approving tax incentives:

- a) Investment Promotion Authority/Board;
- b) Ministry of Finance;
- c) Revenue Authority/Tax Administration.

## **2.3 Which departments or agency has the final decision on whether to grant tax incentives to specific investors?**

The departments which have the final decision on whether to grant tax incentives are commonly the following as indicated by country responses:

- a) Investment Board/Committee;
- b) Ministry of Finance;
- c) Revenue Authority/ Tax Administration.

## **2.4 Where does your country include the provisions of tax incentives regimes?**

In most countries the tax incentives are either provided in both tax and investment laws or they are





**4.2 Are there specific methodologies that your country uses in estimating the costs and benefits of tax incentives?**

Only 6 of the 13 countries mentioned that there are specific methodologies to determine the costs and benefits of tax incentives in their countries.

**4.3 Are there examples in your country of economic studies completed for proposed, current, or past tax incentives?**

A great number of countries highlighted that there are completed economic studies for the proposed, current, or past tax incentives in their countries. 9 of the 13 countries confirmed having these study examples in their countries.

**5.**



### **5.3 What are the greatest challenges in determining which and what type of tax incentive projects should be approved?**

The challenges faced by countries in determining the types of tax incentives projects to be approved are as follows:

- a) Avoiding the pressure of interest groups to obtain tax incentives;
- b) Lack of information per sector;
- c) Complicates the tax administration;
- d) Increase the tax administration and monitoring costs;
- e) Determining the right sectors that need tax incentives;
- f) Insufficient cost benefit analysis;
- g) Lack of risk analysis of the tax incentives;
- h) Requires extensive analytical research;
- i) Inconsistent and not strategically selected projects;
- j) Non-compliance to the standards for granting tax incentives.

### **5.4 What are the greatest challenges in monitoring a tax incentive regime?**

In monitoring tax incentives, countries submitted that they are faced with these great challenges:

- a) Avoidance and evasion;
- b) No clear compliance criteria;
- c) Lack of guidelines and reliable incentives opportunities.