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Fitavana - Tanindrazana - Fandrosoana  
MINISTRE DE L'ECONOMIE ET DES FINANCES

# MADAGASCAR: FROM ASSESSMENT TO ISSUES OF TAX EXPENDITURES

Presented by the Tax Policy Unit – Ministry of Economy and  
Finances

9th International Workshop on DRM and Tax Expenditures

# PRESENTATION

- Context
- I – Current situation of Tax expenditures Assessment in Madagascar
- II – Methodological Approaches : Issues and Challenges
- Conclusion



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# I- CURRENT SITUATION

- Since 2015, the exercise of tax expenditure assessment (DF) has become a continuous practice within the Malagasy Administration.
- This assessment is broken down into five stages:
  - Definition of the benchmark tax system (SFR);
  - Determination of tax expenditures by comparing the policy in force with the benchmark tax system
  - Development and application of data sets, micro-simulation models and the revenue loss method (Revenue Foregone) to estimate the costing of tax expenditures;



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# I- CURRENT SITUATION

- Drafting and structuring of the conclusions in a report with a view to the publication of the latter.
- Economic analysis of the main tax expenditure items or topical issues.

According to the tables below, the number of TEs listed has increased on average by 11% in four years, as has the volume by 28.5% annually

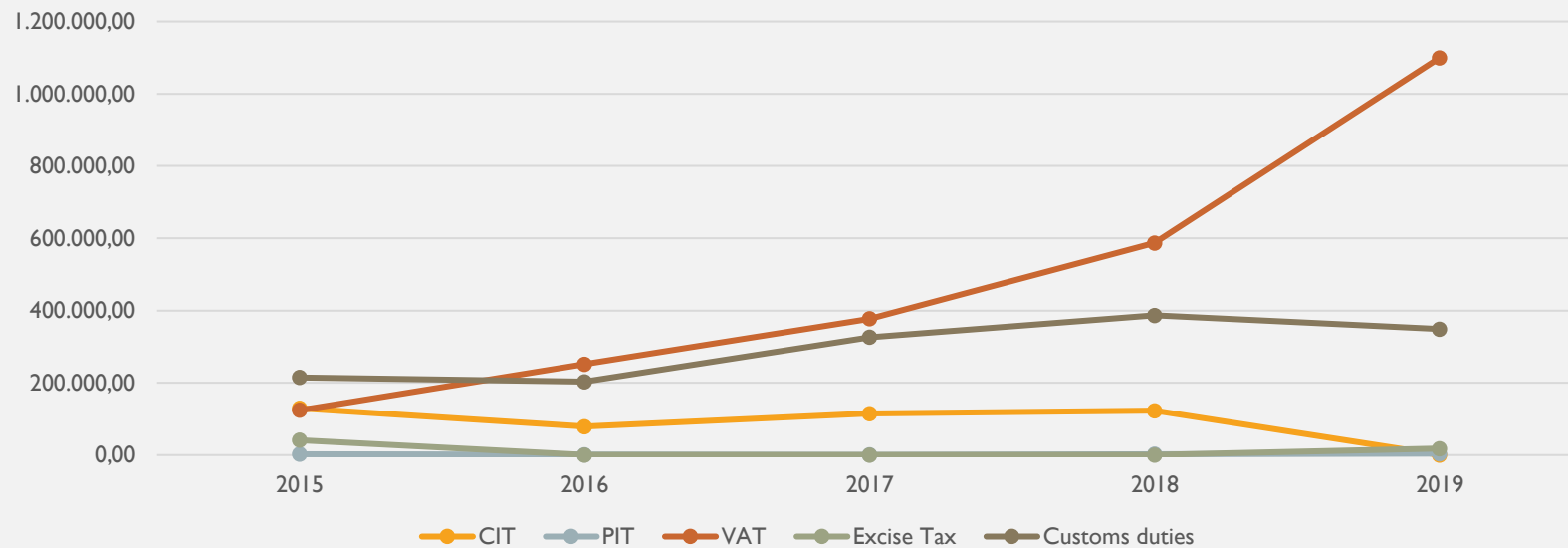


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# I- CURRENT SITUATION

Tax expenditures Evolution by Tax type (2015 - 2019)



# I- CURRENT SITUATION

- The Malagasy tax system is marked by the existence of numerous tax expenditure measures aimed at promoting investment and economic activity (Free Zones and Enterprises, Mining industries, etc.) or improving social welfare ( Agricultural inputs and products, Pharmaceuticals and medical equipment, etc.).
- For 2019, the total amount of tax expenditure amounts to 2.83% of GDP, i.e. 26.12% of tax and customs revenue levied.



## II- METHODOLOGICAL APPROACHES: ISSUES AND CHALLENGES

We carry out two approaches to evaluate tax expenditures:

- **FISCAL ASSESSMENT:** evaluating the budgetary costs by measure and therefore a fortiori by type of tax from detailed tax data rather than from aggregated data from the national accounts.
- **ECONOMIC ASSESSMENT:** econometric analysis of the impacts of the measures on macroeconomic aggregates. It also considers the microeconomic effects of derogatory measures. As such, the analysis of the effectiveness of these derogatory measures is carried out through their impacts on prices, consumption, production, investments as well as imports in Madagascar.

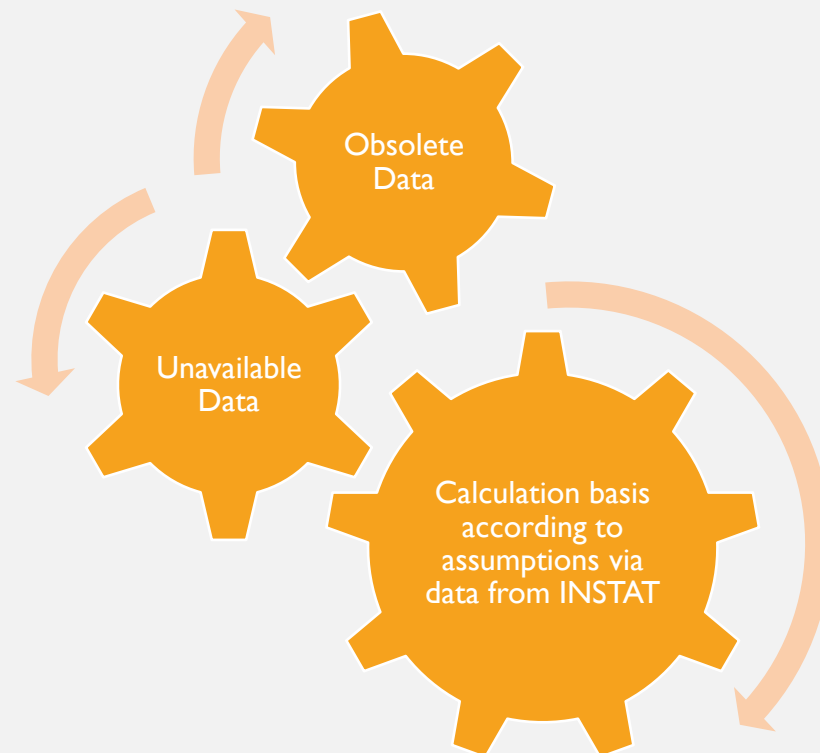


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## II- METHODOLOGICAL APPROACHES: ISSUES AND CHALLENGES

The challenges





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