

Transparency in tax expenditure measurements. An analysis based on the Belgian case of occupational pensions.

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Abstract:

More than half a century ago, Richard M. Titmuss drew attention to the fact that, next to the well-known direct cash benefits, welfare benefits can also be received through fiscal incentives. He argued for the inclusion of fiscal welfare in academic research to fully uncover the workings of the welfare state. As a result of this plea, the importance of studying these 'social tax expenditures' is now generally accepted by scholars and international organisations alike. However, regardless of the increase in (academic) studies, limited actual progress has been made to reveal this 'hidden welfare state'. In this paper we will argue that one prominent reason for this limited progress has to do with a lack of documentation of the decisions that largely influence the tax expenditure figures presented. We will make a plea for researchers to be transparent on three levels: the chosen tax benchmark, the methods used for measuring tax expenditures and the quality of the data sources used. This paper delves deeper into these 'three levels of transparency' by providing detailed documentation on all three levels for Belgium occupational pensions. We show that while Belgian authorities provide some, be it incomplete, information on the tax benchmark and method used, they remain completely silent on the issue of data quality. We will illustrate that by using official data sources, faulty tax expenditure estimates are produced and that calculations using alternative data will result in manifestly different outcomes.