



## The Federal Court of Accounts introduces the Panel on Federal Tax Breaks



*The panel is a contribution of the Federal Court of Accounts to Brazilian society. The purpose is to make the information on tax breaks easily available in the federal scope.*

The Federal Court of Accounts (TCU) introduces this week the Panel on Federal Tax Breaks. In these times of crisis in the public accounts, with recurring deficits and difficulties of all kinds to meet tax targets, shedding light on information regarding tax breaks can contribute to a better understanding of the decisions made by governments and the State as regards concession of tax benefits and their possible results.

The tax breaks arise from a decision made by the government of not collecting taxes from certain taxpayers, in general, aiming to achieve economic, social or regional development goals. They are, therefore, government resources applied indirectly, that is, without passing through the government budget. The use of tax breaks as a means of financing public policies has intensified over the years, as demonstrated annually in the Reports on the Accounts of the President of the Republic. The Panel on Federal Tax Breaks demonstrated, for example, that in the last six fiscal years alone, the amount of resources granted exceeded R\$ 1.5 trillion. The tax break of the fiscal year of 2017 alone, projected at R\$ 275 billion, corresponds to approximately 2.3 times the



primary deficit of Brazil registered in that year (R\$ -118.4 billion). For 2018, the planned amount reached R\$ 283 billion, corresponding to approximately 21% of the tax revenue.

It is known that Constitutional Amendment 95/2016 (Ceiling on Expenditure) sets limits on the Union's primary expenditures for twenty years, in an attempt to contain the continued growth of these expenditures based on the significant decrease of federal revenue, and thus seeking to reestablish fiscal balance. However, no equivalent mechanism has yet been established to curb the excessive growth of revenue concessions. Therefore, the normative framework related to public finances is still fragile, which makes it difficult to achieve an effective fiscal policy in order to balance the public accounts and, thus, seek a sustainable path for public debt.

It is important to clarify that the data is restricted to concessions classified by the Federal Revenue Service of Brazil in the concept of "tax expense", included in the series of publications of that entity entitled "Statement of Tax Expenses". These statements are published annually in compliance with the provisions of Paragraph 6 of Article 165 of the Federal Constitution. To prepare the panel, the data included in document "Tax Expenditure Statement", Calendar Year 2015 - Series 2013 to 2018, available on the Federal Revenue Service website, was used.

For users not yet familiar with the subject, we suggest reading the report based on TCU Decision 1205/2014-TCU-Plenário, issued by Minister Raimundo Carreiro, which includes background information and pinpoints the chronic problems associated with tax breaks.

[2017 R\$ -118.4 billion - Primary deficit of the Federal Government  
R\$ 275.00 billion – Projected tax break

2018 – 21% of tax revenue – R\$ 283.00 billion]

Visit the [Panel on Federal Tax Breaks](#)