



NEWS RELEASE

For Immediate Release

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Government can improve its reporting of tax expenditures

VICTORIA – The Office of the Auditor General of British Columbia has released a new information report: *Understanding Tax Expenditures*.

The report explains tax expenditures and how they relate to provincial spending.

In 2016/17, government reported over \$7 billion in tax expenditures. They were included in government's annual budget and in an appendix of its fiscal plan, but weren't easy to understand. In comparison, direct spending, such as spending for programs like health care and education, appears in government's annual summary financial statements.

Tax expenditures are tax breaks that government offers to people and corporations in support of its social, economic and environmental policy objectives. Tax expenditures are basically forgone revenue, or money government doesn't collect, but could if it didn't offer that tax break. For example, the B.C. government does not charge provincial sales tax on the purchase of new bicycles. This means it forgoes an estimated \$23 million in sales taxes a year to encourage cycling in support of its environmental policy objectives.

"Tax expenditures are debated and voted on only when the legislation for them is enacted or changed. This doesn't happen very often. Some tax expenditures—such as the home owner grant—are decades old," said Carol Bellringer, B.C.'s auditor general.

A 1969 publication stated the home owner grant was introduced in 1957 to relieve the pressure of rising property taxes on home owners and to encourage the buying and building of new homes.

"Today, legislators may not have all the information they need to make informed decisions about whether tax expenditures continue to achieve government's policy objectives," Bellringer said.

For each tax expenditure, legislators should understand the purpose and policy objective, when it came into effect, when it was last reviewed for effectiveness, and the annual value that's forgone. The information needed to achieve the above understanding isn't easily accessible.

"Some governments around the world report their tax expenditures more fully than the B.C. government, including the Canadian federal government," Bellringer said.



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For example, the Department of Finance Canada has very progressive reporting and includes multiple years of tax expenditure information, links to legislation, and the purposes of the tax expenditures.

The full report is available on the Office of the Auditor General website at www.bcauditor.com. Bellringer will answer questions pertaining to the report via a news conference.

News Conference Date: Tuesday October 9, 2018

Time: 12:30 p.m. (Pacific time)

Dial-in Information:

From Vancouver: 604 681-0260

From elsewhere in Canada and the USA: 1 877 353-9184

Participant Pass Code: 44848#

During question and answer period, to ask a question: press 01

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About the Office of the Auditor General of British Columbia

The auditor general is a non-partisan, independent officer of the legislature who reports directly to the legislative assembly. The *Auditor General Act* empowers the auditor general and staff to conduct audits, report findings and make recommendations.

Contact us:

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