Tax incentives for investment: Practical Guidance & Comparative Data

Community of Practice on Tax Expenditures
Virtual Workshop: 11 June 2026

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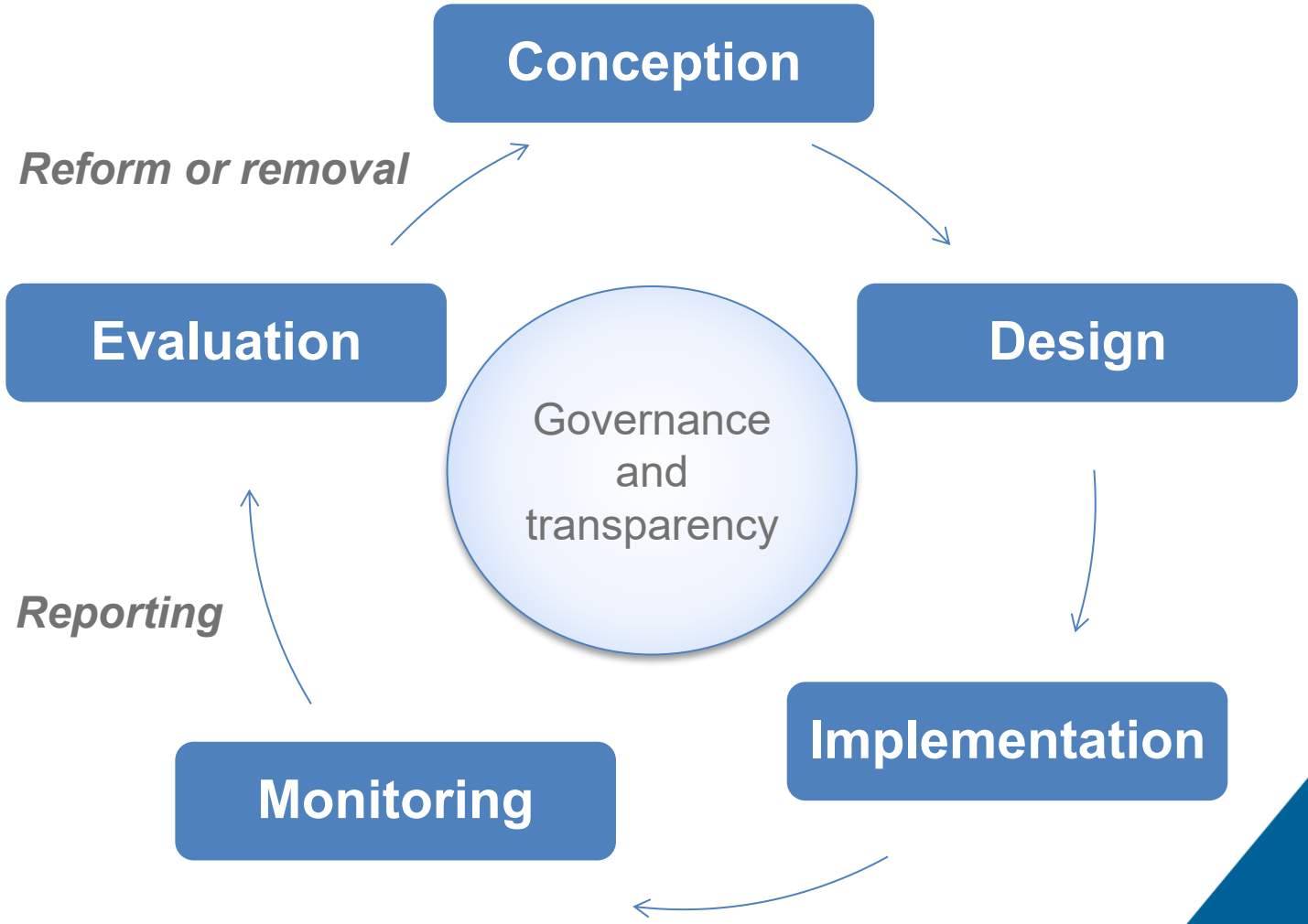
A PRACTICAL GUIDE TO INVESTMENT TAX INCENTIVES

Practical advice across the tax incentive policy lifecycle

- The *Practical Guide to Investment Tax Incentives* supports policymakers and practitioners primarily in LMICs to **better design and implement** investment tax incentives
- Looks at **common challenges and trade-offs** across the tax incentive lifecycle
- Provides **practical and actionable advice** based on best practice examples
- Supports **prioritisation** where capacity and resources are constrained
- Available at [A Practical Guide to Investment Tax Incentives | OECD]



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CONCEPTION & DESIGN

Conception: set goals and assess potential outcomes

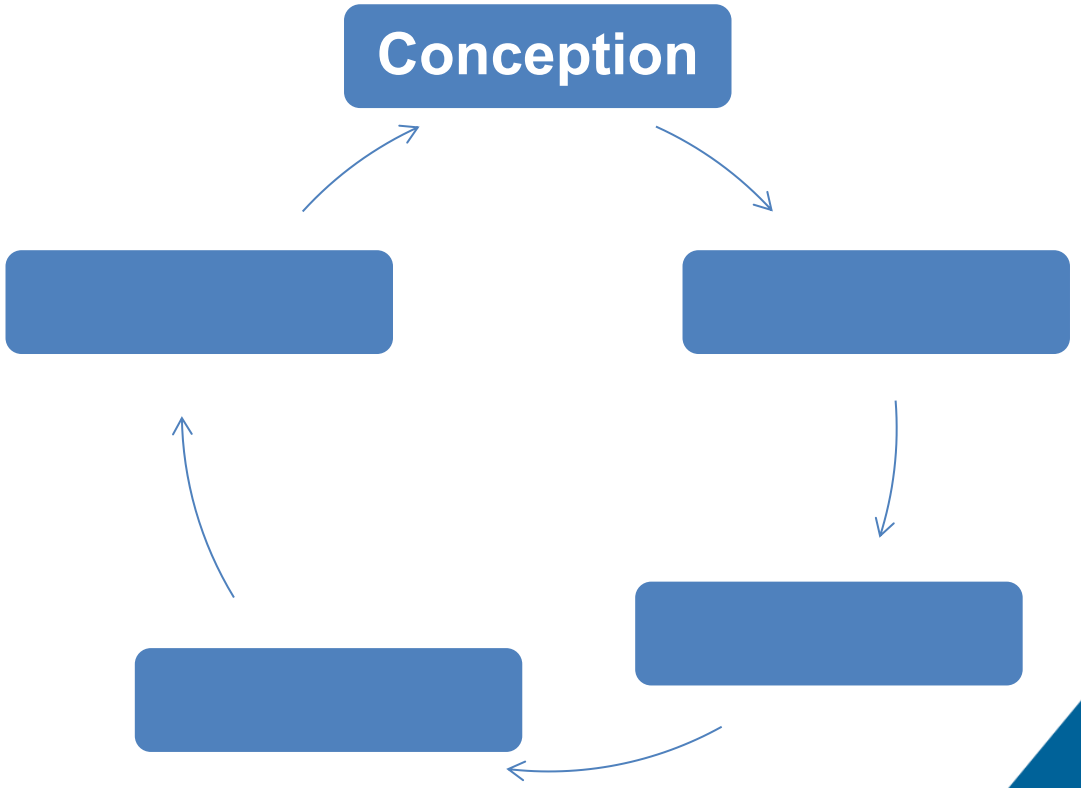
Conception stage involves:

- Determining **the need** for a policy intervention
- Assessing whether a tax incentive is the **right tool** for the objective, at what **likely costs**
- Setting **procedures** & institutional arrangements

Key to ensure tax incentives **are justified, cost-effective, and aligned with national priorities**

Challenges observed:

- Objective vague (e.g., support strategic sectors)
- Objective may be better achieved with complementary policies (e.g., increase female labour participation, clean technology deployment)
- Objective not in line with other goals



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Conception: Outline of key steps and recommended actions

1. Determine the need for policy intervention

Identify the rationale and consider policy options

2. Assess potential costs and benefits, define clear policy objectives

Set ex-ante evaluation frameworks and requirements

Conduct assessments to compare policy alternatives

Consider direct & indirect effects (fiscal and financing implications, economic and development outcomes)

Define clear and measurable policy objectives, aligned with national development goals

3. Establish procedures and governance mechanisms

Introduce tax incentives via primary legislation, consolidate in tax code

Set incentive duration and plan for ex-post evaluation

Anticipate potential reform challenges and risks

Set procedures and institutional arrangements for governance

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Conception: selected examples across different steps

1. Determine the need for policy intervention

2. Assess potential costs and benefits, define clear policy objectives

Country examples

- UK Green Book provides approach to set rationale & assess policy options
- Australia Industrial guide on types of market failures and potential government responses
- Ireland ex-ante evaluation questions include:
  - What is the objective? What market failure is being addressed? Is a tax expenditure the best approach?
  - What economic impact is the measure likely to have? How much is it expected to cost? What impact is the tax expenditure likely to have from an equality perspective? From an environmental perspective?

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Design: strike balance between stimulating investment & limiting costs and distortions

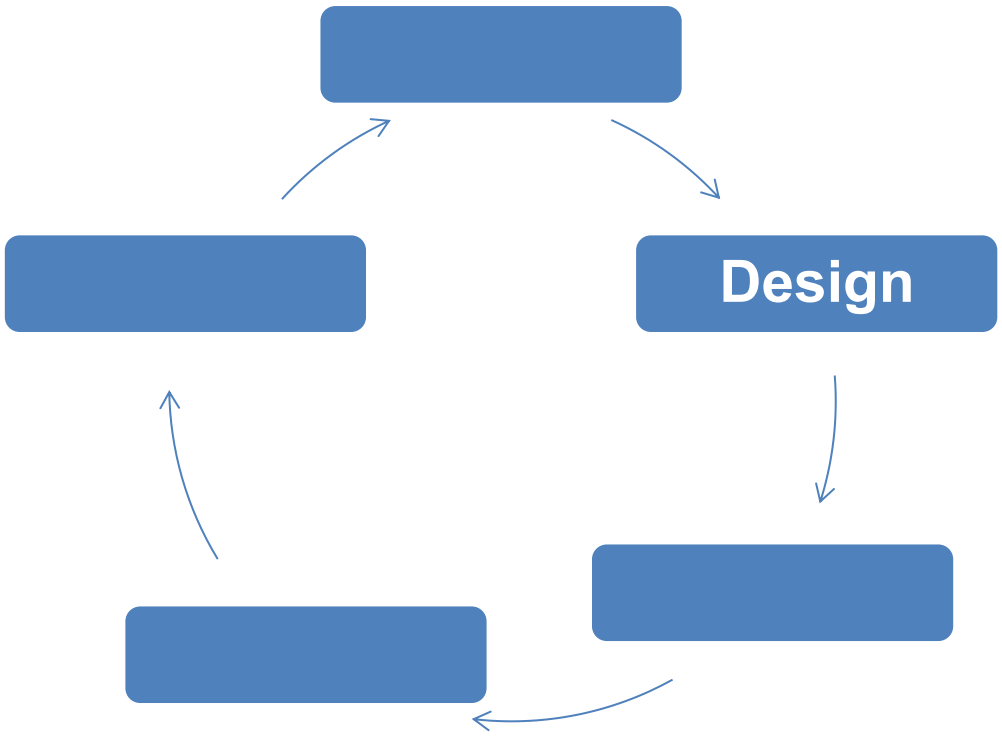
Design stage involves:

- Deciding **what kind of investment is eligible** for tax relief & **nature of that relief**
- **Trade-offs** across these choices

Good design is key to more effective and efficient tax incentives, **to balance stimulating investment** while **limiting costs and distortions**

Challenges observed:

- Income-based incentives are prevalent despite lower value for money
- Often use of vague eligibility conditions, e.g., “economic importance” which risk of excess discretion by authorities which can lead to uncertainty for business



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Design: Outline of key steps and recommended actions

1. Support effectiveness & efficiency of tax incentive design

Aim to stimulate additional investment, reduce windfall gains

Tailor design choices to policy goal & context

Consider diverse investor response

Minimise potential for abuse and distortion

2. Design elements to maximise results while limiting costs

Instrument

Targeting

Generosity

Limits

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Design: Targeting

2. Design elements to maximise results while limiting costs

Target to policy goals & consider relevant trade-offs

- Weigh narrow vs. broad eligibility conditions
- Different choices might be more appropriate depending on goal, fiscal space, administrative capacity, economic context
  - Narrow targeting may better support goals & limit revenue costs
  - But can involve high implementation & compliance costs, other distortions (i.e., picking winners, locking-in specific technologies)
  - Consider costs of complexity
- Increase tax certainty by making eligibility criteria clear, specific and measurable
- Well-defined criteria also limits discretion, bargaining with government, potential disputes

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INVESTMENT TAX INCENTIVES DATABASE

OECD Investment Tax Incentives Database (ITID)

- **A (soon) publicly available evidence base on tax incentives**
- Access and download granular and standardised quantitative and qualitative information on the design and targeting of corporate income tax incentives for investment
- 70+ emerging and developing economies; 2022 & 2024
- Detailed information from official government sources, on:

Design features	Eligibility conditions	Legal basis
How does the tax incentive reduce taxation?	Which investors and investment projects qualify to receive the tax incentive?	Which laws authorise and detail tax incentives?

Launch Event

OECD Tax and Development Days 2026

18 June 2026
15:00 – 16:00 (CET)
Online

Roundtable Discussion
Tax Incentives: Better Evidence to Drive Reform

Featuring experts from CEP, IISD, OECD

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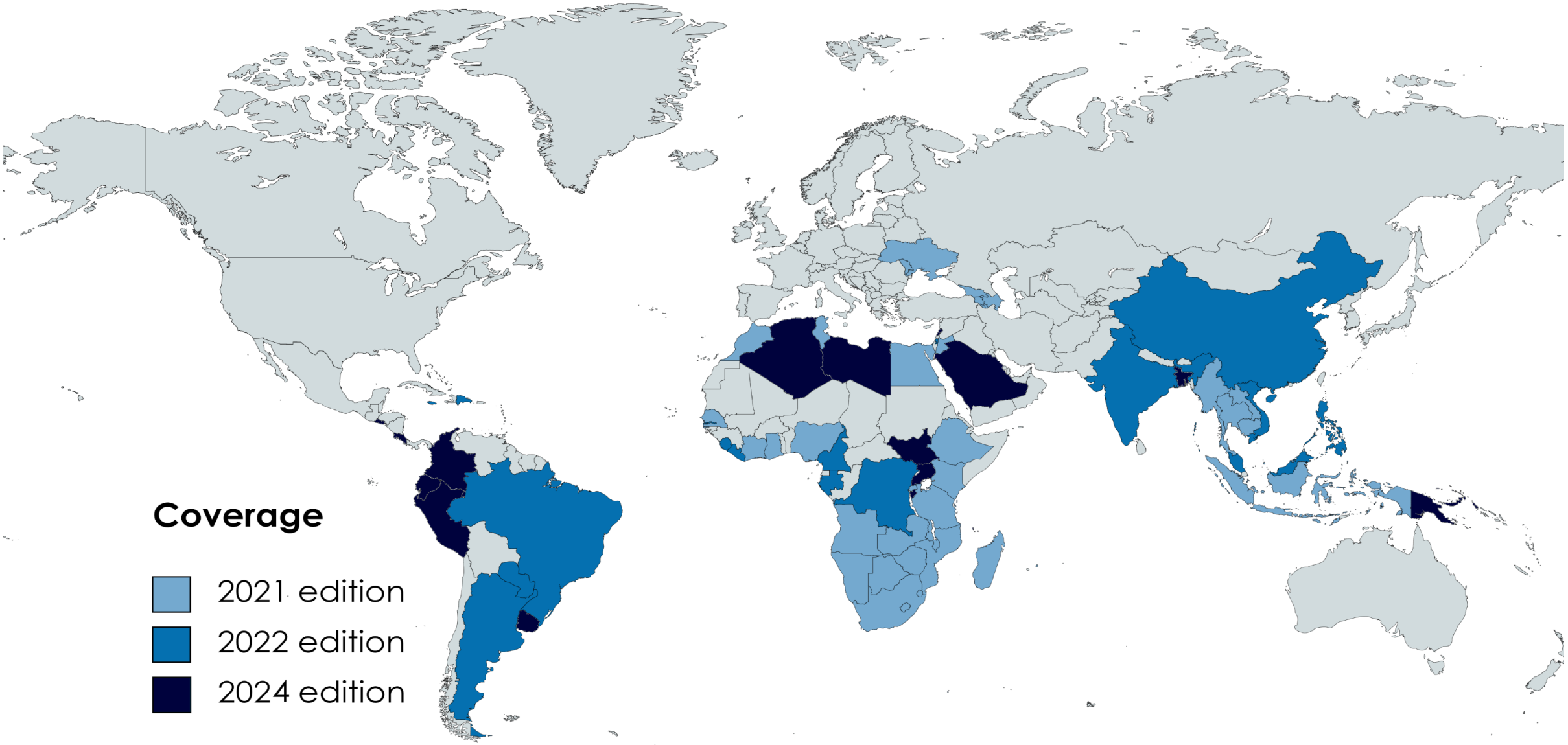
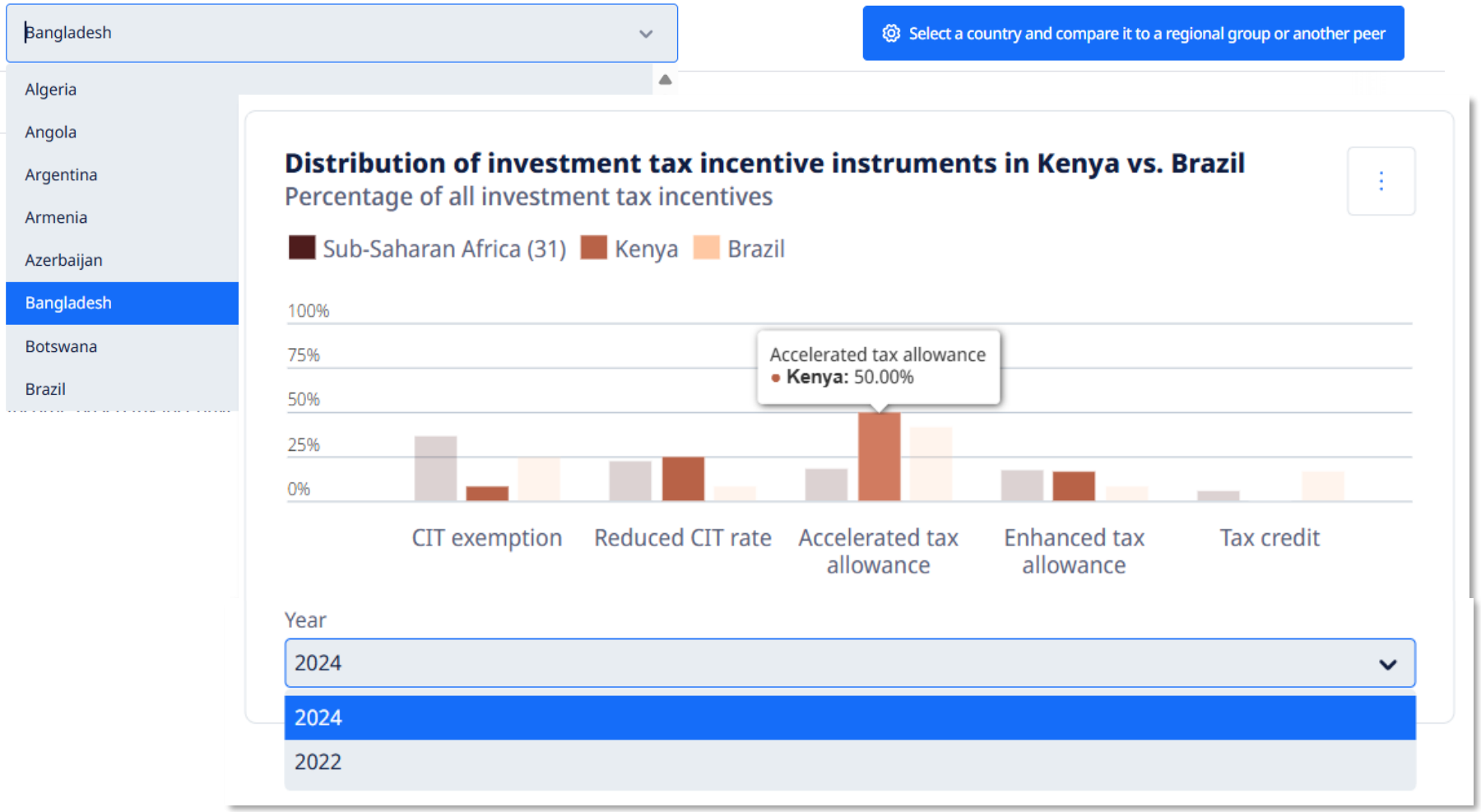
OECD Investment Tax Incentives Database: coverage



Explore the OECD Investment Tax Incentives Dashboard



🔎 **Compare countries**
Benchmark tax incentive regimes across 70+ countries

📊 **Visualise trends**
Explore incentive types, targeting and design features

🎯 **Filter and customise**
Select countries, regions, and incentive characteristics

📥 **Access detailed data**
Incentive-level information (~45 vars) and metadata

🚀 **Available from 18 June 2026**: Launch at the OECD Tax and Development Days 2026

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Q&A

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www.oecd.org/tax

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Further reading

- Celani, A., L. Dressler and M. Wermelinger (2022), "Building an Investment Tax Incentives database: Methodology and initial findings for 36 developing countries", OECD Working Papers on International Investment, No. 2022/01, OECD Publishing, Paris, https://doi.org/10.1787/62e075a9-en.
- OECD (2026), A Practical Guide to Investment Tax Incentives, OECD Publishing, Paris, https://doi.org/10.1787/427c66a9-en.
- OECD (forthcoming) Investment Tax Incentives Dashboard
- OECD (2025), “OECD Investment Tax Incentives Database 2024 update: Corporate income tax incentives in emerging and developing economies”, *OECD Business and Finance Policy Papers*, No. 79, OECD, Paris Cedex 16, https://doi.org/10.1787/b0de19dc-en.
- IMF-OECD-UN-World Bank (2024), The Platform for Collaboration on Tax: Tax Incentives, IMF-OECD-UN-World Bank.

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