

## Abstract

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A prerequisite for an efficient tax structure is that taxation is examined and assessed as a system. For this reason, the focus of this audit is on the tax system as a whole and the manner in which it has been considered in decision-making and the preparatory work. The following three questions are assessed in the audit: 1) what are the taxation policy objectives laid out in the programme of Prime Minister Jyrki Katainen's government; 2) are the instruments adopted during the government term in line with the government's policy objectives and with each other; and 3) how have the reforms been prepared and justified.

The programme of Prime Minister Katainen's government both outlines policies and presents detailed measures. The taxation policy is limited by laying out some other binding economic policy objectives. Because of the detailed nature of the programme and the other limitations referred to above, the planning of the tax system as a whole has posed challenges. In the view of the National Audit Office, the general policies and main objectives should be set in the Government Programme. The instruments can be determined in preparatory work during the parliamentary term so that the system as a whole, as well as other needs can be considered.

The audit results indicate that not all effects of the changes in taxation have been assessed as part of the preparatory work carried out during the parliamentary term. Therefore, the way in which the effects of the changes in taxation are described and assessed should be developed. In particular, the effect on the tax system as a whole should be assessed though it should be noted that sometimes the impacts of the changes in taxation have been evaluated from the system's perspective in the preparatory work. However, in decision-making the emphasis is on other aims. Using taxes as an instrument for achieving other than taxation policy aims may make the tax system less efficient. The recommendation of the National Audit Office is that effects of all aims of the tax reforms should be evaluated and presented as part of Government proposals.

It has been difficult for other actors sharing the tax base with central government to predict the amount of taxes that they collect because the decisions made by the Government have eroded their tax base. In the view of the National Audit Office, central government should internalize the externalities posed by its action on other actors, namely municipalities.

The objective of the systematic planning is a tax system in which each tax has a clear role while different taxes have been coordinated to fit together. It is imperative that the tax system is evaluated as a whole on a regular basis. The Government should prepare extensive reviews at least twice during its term of office: at the beginning of its term and shortly before the spending limits discussions. The future tax policy should also be assessed. This is the responsibility of the Ministry of Finance, and especially its Tax Department, but the work should also involve other experts.