



DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION
UNITED NATIONS

**SEEA Revision
Issue 6
Cover Note**

Cover Note

Issue #6: Environmentally Related Taxes

Outcome paper for global consultation

Outcome Paper Issue #6: Environmentally Related Taxes

Issue description

Environmental taxes are economic instruments that are increasingly being used. The SEEA-2003 provides a definition for environmental taxes. This definition should be revisited taking into consideration the use of the term “environmental taxes” in the policy arena. A taxonomy of these taxes should be developed as well as mapping of what is considered environmental taxes and their terminology and recording in the 2008 SNA.

Background

One motivation for the development of environmental and economic accounting is the recognition of the linkages between the economy and the environment. Some of these linkages concern the unpriced use and extraction of environmental resources both as input to, and sinks for, economic activity. Consequently, the boundary between the economy and the environment contains many and varied externalities reflecting the inability of naturally forming markets to operate effectively. In this situation there is a role for governments to enact relevant policy to ensure a use of the environment consistent with societal expectations.

Two primary mechanisms of government in this regard are taxes and subsidies. This issue considers how environmentally related taxes should be defined and accounted for amongst other forms of government revenue. A separate issue on the definition and treatment of environmentally related subsidies is also the subject of the revision of the System of Environmental and Economic Accounts (SEEA). The relevant outcome paper is Issue #7: Environmentally related subsidies.

The discussion of environmentally related taxes is particularly pertinent given long-standing discussions on various taxes to encourage pollution abatement and reduced use of fossil fuels (eg carbon taxes). However, since there are many schemes and policies with similar natures and intent it is important that clear definitions of environmentally related taxes be defined such that analysis and policy monitoring can be undertaken effectively.

The basic approach to determining those taxes that are considered to be environmentally related is to select the relevant transactions from the 2008 System of National Accounts (SNA) and then, within each of those transaction types, determine the ones which are environmentally related. This second stage presents particular challenges and the approach taken depends, in part, on the nature of the analysis that is to be undertaken. One approach is to take a more economic theoretic approach with the aim of obtaining an aggregate of environmentally related taxes that can be related to the value of the externalities being taxed. A second approach is to examine the various tax bases and determine the extent to which tax revenue is being earned by taxing those tax bases that have a negative environmental impact.

Summary of outcomes

The overall outcome from discussion within the London Group is that the revised SEEA should follow the second approach in defining environmentally related taxes. The following specific recommendations are made:

Recommendation 6.1: That within the revised SEEA the scope of environmentally related taxes should include all transactions defined as taxes according to the 2008 SNA – i.e Taxes on production and imports, Taxes on income, Other current taxes and Capital taxes.

Recommendation 6.2: That payments to general government of rent, fees, penalties, fines and other payments relating to the use of assets owned by general government should be excluded from the scope of environmentally related taxes in the revised SEEA.

Recommendation 6.3: That an environmental tax be defined as a tax whose tax base is a physical unit (or a proxy of it) of something that has a proven, specific negative impact on the environment.

Recommendation 6.4: That environmentally related taxes should be classified according to the four categories: energy taxes, transport taxes, pollution taxes and resource taxes.

Recommendation 6.5: That taxes on sulphur should be categorised as pollution taxes.

Recommendation 6.6: That, where the tax base of a VAT includes an environmentally related tax, the relevant proportion of the VAT should be included as part of environmentally related taxes.

Questions

1. Do you agree that within the revised SEEA the scope of environmentally related taxes should include all transactions defined as taxes according to the 2008 SNA – i.e Taxes on production and imports, Taxes on income, Other current taxes and Capital taxes?
2. Do you agree that payments to general government of rent, fees, penalties, fines and other payments relating to the use of assets owned by general government should be excluded from the scope of environmentally related taxes in the revised SEEA?
3. Do you agree that an environmental tax be defined as a tax whose tax base is a physical unit (or a proxy of it) of something that has a proven, specific negative impact on the environment?
4. Do you agree that environmentally related taxes should be classified according to the four categories: energy taxes, transport taxes, pollution taxes and resource taxes?
5. Do you agree that taxes on sulphur should be categorised as pollution taxes?
6. Do you agree that, where the tax base of a VAT includes an environmentally related tax, the relevant proportion of the VAT should be included as part of environmentally related taxes?
7. Any other comments?

To submit responses to these questions please complete the accompanying comment form available on the website.

Deadline for comments: 18 November 2010