

Published October/November 2009 by:

businessinwales.co.uk



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Green taxation

USING green taxation to boost falling tax revenues needs careful planning by government. That's the central point of ACCA's (the Association of Chartered Certified Accountants) recent paper 'Green taxation in a recession', which also says carbon taxes will not be the cure-all governments are expecting them to be.

ACCA's report argues that green taxes need to be both transparent and unambiguous, so the public and business understand the benefits and trust the reasons behind the taxes.

Governments everywhere need to strike a balance between the need to raise revenues and the environmental objective underpinning the policy. So the design and implementation of green taxes must be done carefully if we are to protect international competitiveness.

Raising awareness of green issues is also important – a good example is the Welsh Assembly Government's campaign for Wales to reduce its carbon emissions. The web-site includes a carbon calculator, designed for us to gauge greenness.

Globally, green taxes can punish and reward – punitive taxes include the world's first carbon tax introduced by Finland in 1990 to reduce emissions and energy consumption. China taxes the disposal of waste and waste water. Germany taxes transport emissions.

US rewards for investment in renewable energy sources include tax credits for the expansion of wind, solar, biomass and other renewable energies. China's incentives include offering corporate income tax allowances for firms that reduce water consumption. In Denmark, 5.9% of tax revenues are environmental taxes, the highest proportion in the EU.

In the UK, the climate change levy, a tax on the end-use of taxable commodities by commercial customers, and landfill tax, a tax linked to the discard of waste in landfill sites, have been successful.

Scrutiny of business' environmental performance will increase, but policies need to be transparent to meet carbon reduction goals. ACCA's report concludes that governments must use tax policy as

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an instrument of positive change – and that's the challenge.

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