



KATHOLIEKE UNIVERSITEIT  
**LEUVEN**

# BELGIAN PRESIDENCY OF THE EU

## GREEN TAX SHIFT

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# The Overall Tax Burden

- Includes:
- Direct and indirect taxes at the federal level
  - Social security contributions
  - Regional and local taxes

Significant differences between member states

Rather high in some mature economies

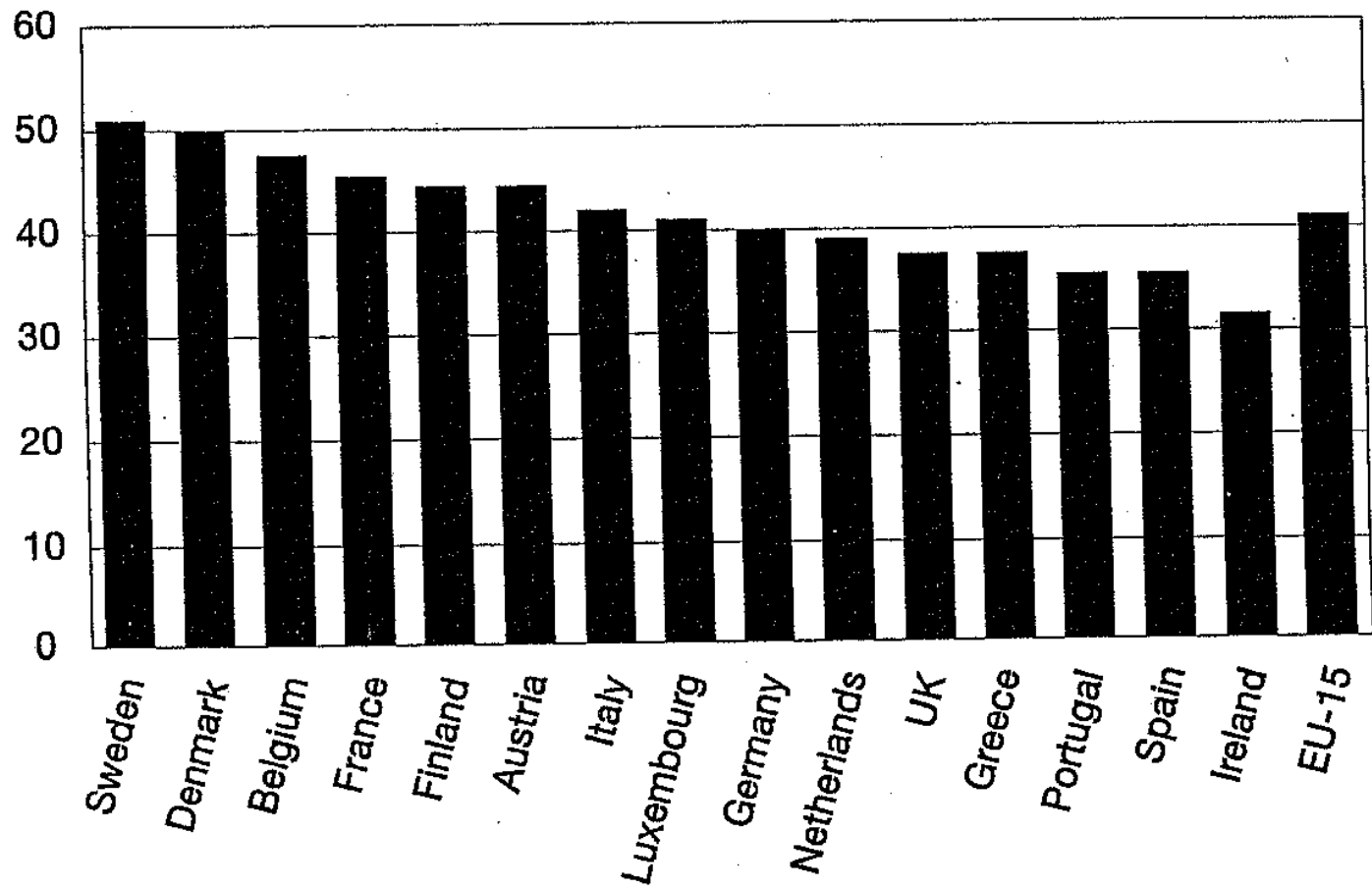


# The conventional goals of taxation

- Provision of financing for public goods and services: law and order, defense, general administration, education...
- Financing of the social security system: unemployment compensation, health, pensions...
- Redistribution of income and wealth



## An international comparison of the tax burden



Tax freedom day in Belgium  
and some neighbouring countries\*

Country	date
 Romania	12 March
 USA	13 April
 Slovakia	27 April
 Spain	9 May
 Luxemburg	14 May
 United Kingdom	14 May
 The Netherlands	24 May
 Hungary	2 June
 Belgium	8 June
 Germany	8 June
 Italy	10 June
 France	11 June
 Sweden	5 July

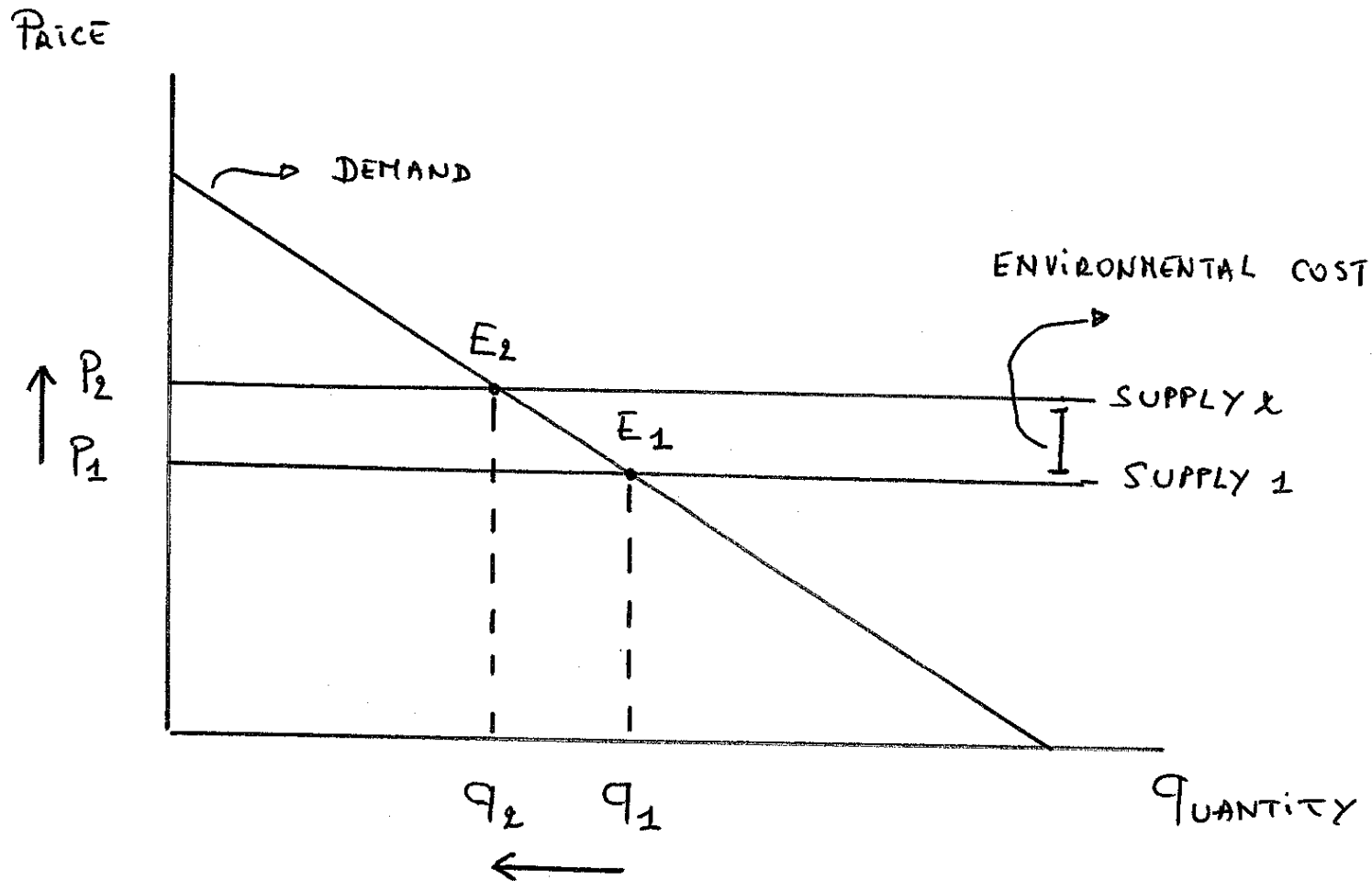


# A New Objective: The Green Tax Shift

A tax à la Pigou to internalise the environmental costs into the price of goods and services



# A Pigouvian Tax



SITUATION 2 = SITUATION 1 + ENVIRONMENTAL COST

# A Case in Point...

## An air aviation tax

- Kerosene is not/hardly taxed
- Easy to administer
- Neutrality in terms of allocation
- Own resource for the EU-budget
- Member states pay lower GNI-contribution  
(hydraulic system)

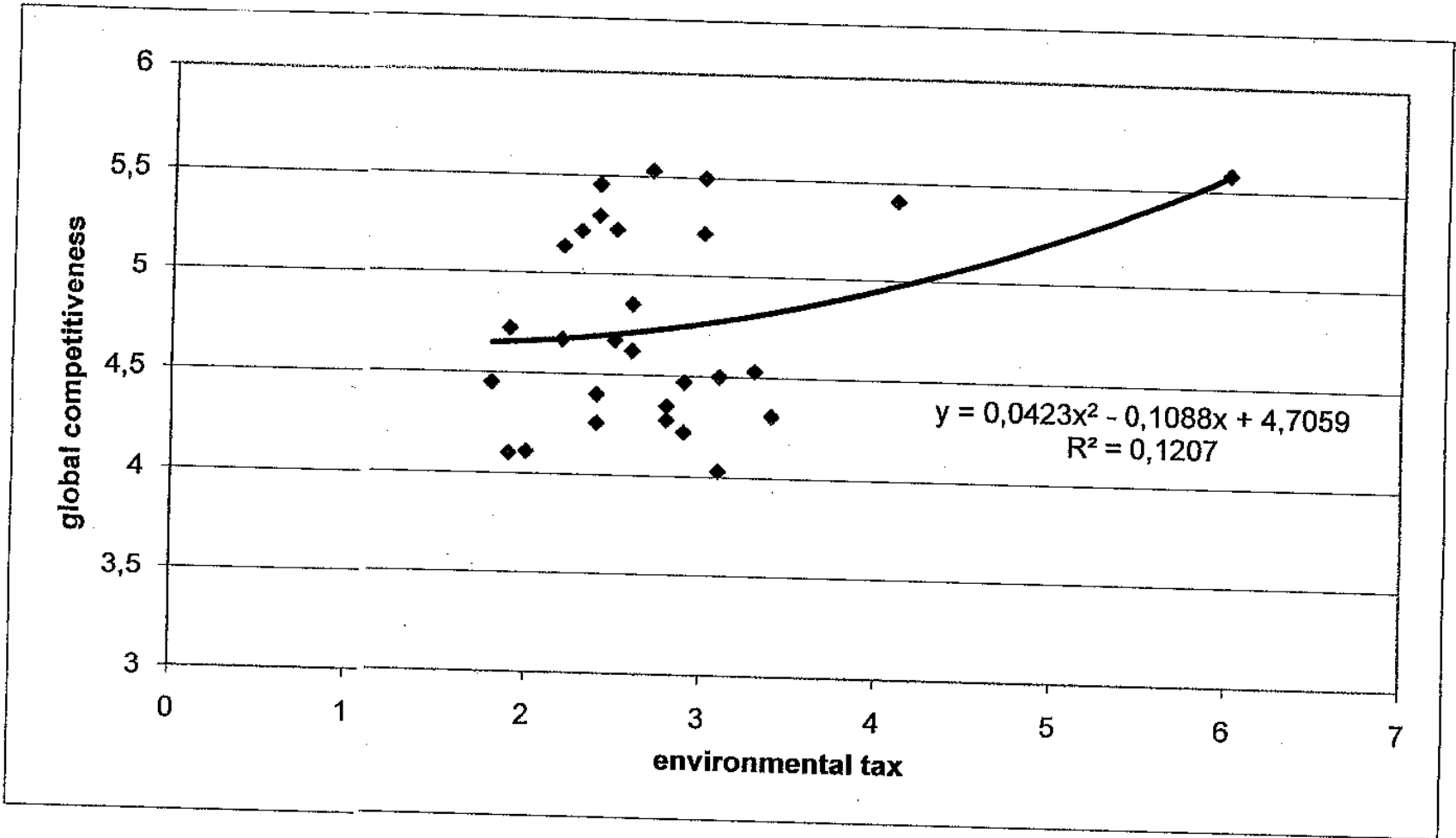




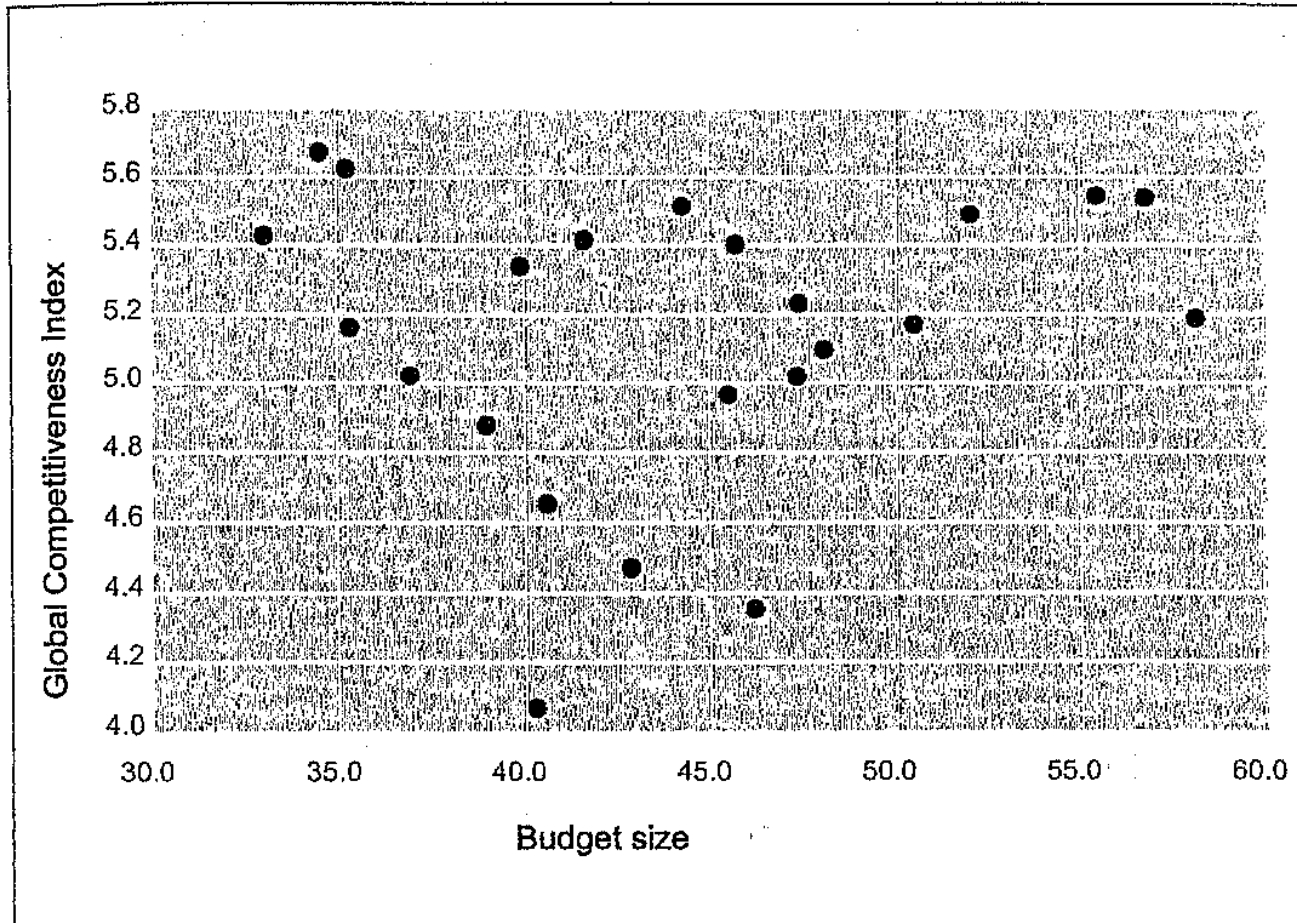
	TAX	WEF
	environme	global competitiveness
DK	6	5,58
SE	2,7	5,53
FI	3	5,5
DE	2,4	5,46
NL	4,1	5,41
UK	2,4	5,3
AT	2,5	5,23
NO	3	5,22
FR	2,3	5,22
BE	2,2	5,14
LU	2,6	4,85
ES	1,9	4,72
PT	2,9	4,47
IT	2,8	4,35
EL	2	4,11
EE	2,2	4,67
SK	2,4	4,4
MT	3,4	4,31
PL	2,8	4,28
LV	2,4	4,26
HU	2,9	4,22
IE	2,5	4,67
RO	1,9	4,1
BG	3,1	4,03
LT	1,8	4,45
CZ	2,6	4,62
CY	3,3	4,53
SI	3,1	4,5

SIMPLE  
CORRELATION

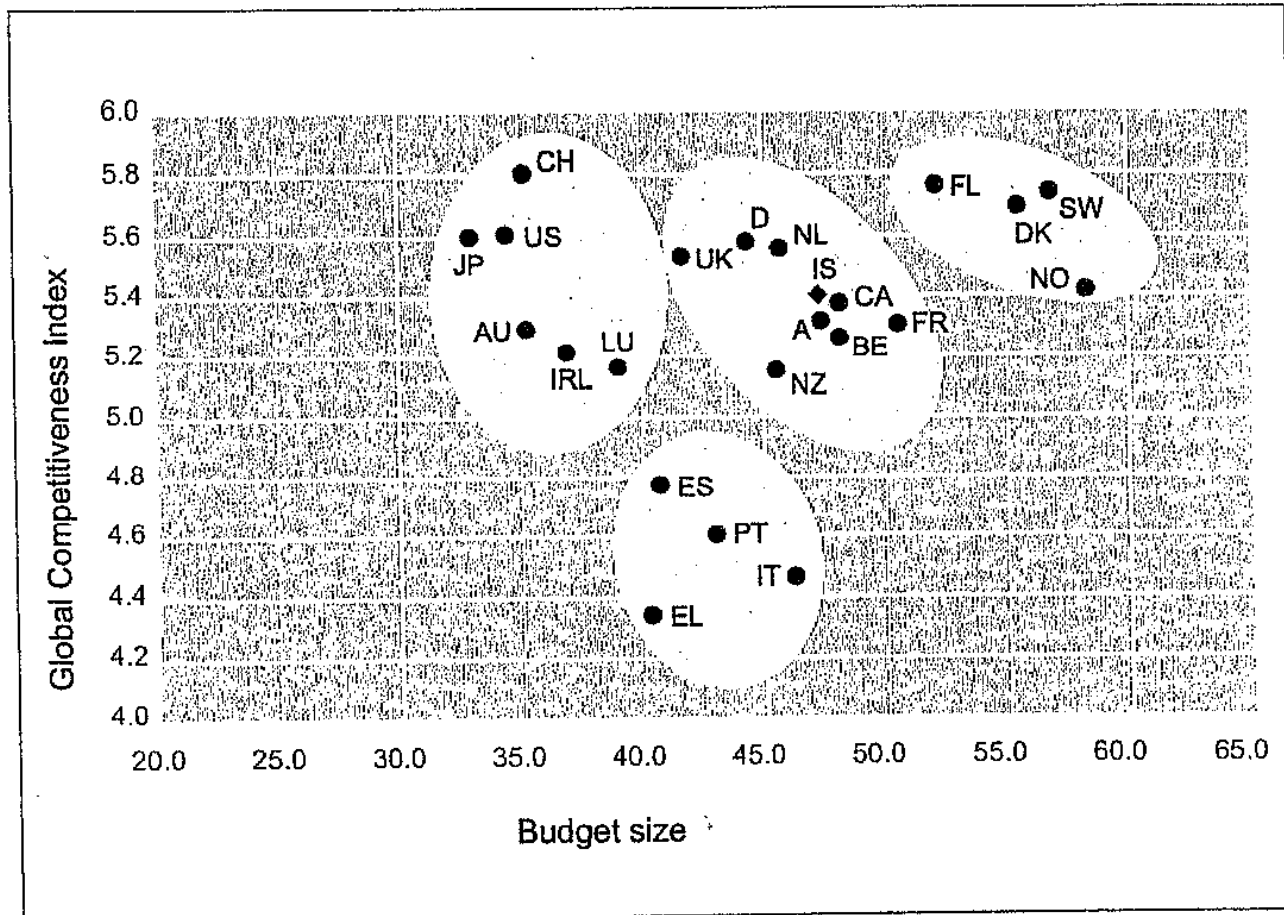
EU-27 0,331371  
EU-15 0,422297



Global Competitiveness Index versus budget size



Global Competitiveness Index versus budget size - clusters of countries



# Examples of Ecotaxes... and Low Hanging Fruit

- Carbon taxes on the use of fossil fuels (transport, housing, industry...)
- Duties on imported goods containing significant non-ecological energy input (to a level necessary to treat fairly local manufacturers)
- Severance taxes on the extraction of mineral, energy and forestry products
- Specific taxes on technologies and products which are associated with negative environmental externalities
- Waste disposal taxes
- ...

# Back to the Basics... A Pigouvian Tax

- Is often perceived as distortionary whereas it is designed to correct inadequate market prices
- Ambitions to change the behavior of the public at large
- Wants to save the environment, address global warming, reduce dependence on (middle eastern) oil...
- Can strengthen the economy and create jobs (reducing the burden of other taxes)

- Alternative use of the Proceeds of Green taxes

## FEEBATE (AMORY LOVINS)

“Additional FEES levied on less sustainable products (such as sport utility vehicles) are pooled to fund REBATES on more sustainable alternatives (such as hybrid electric vehicles)”

