

Summary

This research report shows the results of the study “indicator actualization and in-depth study of the greening of tax system in Flanders, carried out by the HIVA research institute and commissioned by MIRA. The study’s objectives are twofold. First, an actualization of the earlier studies on greening, from 2004 and 2011, is carried out. Second, a new section is added to the research, namely an in-depth study of tax exemptions and rebates on environmentally related taxes that exist in Flanders.

It is important to mention that the greening of the tax system is not a policy objective as such: it is a means to pursue effective environmental policies. Environmentally related taxes are a suitable instrument for achieving that target, but they are certainly not the only instrument. Therefore, we conclude that the interpretation of the indicators in this report do not allow for drawing conclusions on the effectiveness of Flemish and Belgian environmental policies.

The quest for ‘the best’ indicator for the greening of the tax system in Flanders has been evolving for almost ten years now. The conclusion of the performed studies is that ‘the best’ indicator does not really exist. Each type of indicator has merits, but also deficiencies. As a result, we claim that conclusions and recommendations on the greening of the tax system should not be drawn upon the basis of a single indicator. Instead, we recommend drawing conclusions on the basis of five types of indicators: revenue-based indicators, tax rate-based indicators, the ratio of labour taxes and environmental taxes, implicit tax rates and the National Environmental Tax Index.

All indicators lead to the conclusion that the tax system in Flanders has known a period of strong greening in the period 1989-1997. Judging on the revenue-based indicators, the individual tax rate-based indicators, the implicit tax rates and the National Environmental Tax Index, we conclude that since 1997, no further greening of the tax system has taken place.

In the second part of this research report we have made an overview of the existing tax rebates and exemptions on environmentally related taxes. We carried out an exploratory analysis of three of those preferential tax treatments, using an evaluation tool developed by IEEP, in combination with a Policy Delphi approach. The experts that participated were policy experts, academics and advisory body advisors. The three cases are the degressivity of the federal contribution on electricity, the refund of professionally used diesel fuel and the maximum prices for electricity and natural gas. The results of the case studies do not allow for generalization, but they do allow for drawing conclusions on the level of the case study.

The experts explicitly plead for the removal of one of the case study measures, namely the refund of professionally used diesel fuel. Although the impact in all fields is judged small, the experts conclude that this support measure has negative (environmental) side effects. Moreover, they even doubt the effectiveness vis-à-vis the intended impact (economic growth), especially in the long run.

The conclusion for the case of the maximum prices for electricity and natural gas is completely different. The participating experts estimate the effectiveness with regard to the social objective to be very high; they regard the small but negative environmental impact to be ‘acceptable’. Not all experts agree on this, it is a matter of weighing up the positive social impact against the negative environmental impact.

The case that has the least straightforward conclusion is the degressivity of the federal contribution on electricity. The effectiveness (economic objective) is judged positively, but the environmental impact is judged negatively. In this study we do not make any statements on which of these considerations should outweigh the other. However, the experts claim that this tax rebate has a perverse side because the tax rebate rises as energy consumption increases.