

December 16th, 2011

Environmentally related taxes and fees

2006-2010

Environmentally related taxes represent 9.6% of total receipts from taxes and social contributions

In 2010, the value of environmentally related taxes amounted to 5.79 billion euro, representing 9.6% of total receipts from taxes and social contributions.

According to information available for 2008, in that year, Portugal has emerged as one of the EU countries where environmentally related taxes have more relative expression.

Statistics Portugal publishes, for the first time, data for environmentally related taxes and fees. This new info covers the period from 2006 to 2009 and incorporates the most current data from the Portuguese National Accounts (Base 2006).

Additionally, for the sake of international comparability, despite the national availability of information, some indicators are analyzed only for the year 2008, since this is the most recent year for which this information exists.

This press release is organized into two distinct parts: environmentally related taxes and environmentally related fees.

Environmentally related taxes

Environmental related taxes record data on revenues raised by governments from taxation on products and services (tax bases) with a negative impact on the environment.

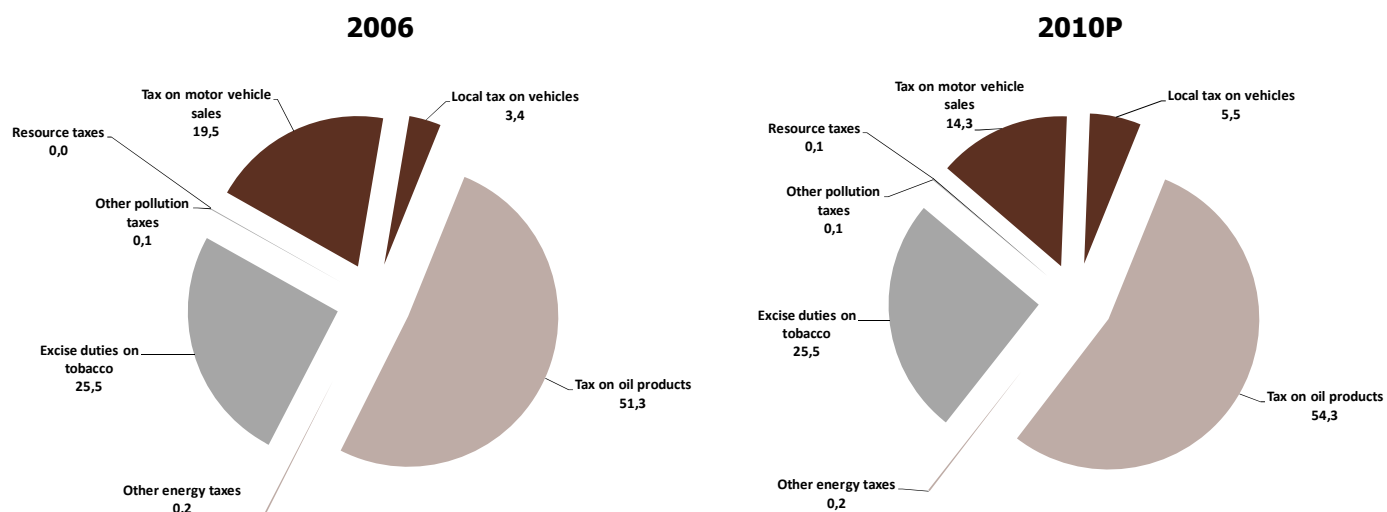
For analytical purposes, environmentally related taxes have been classified into four categories. Of the total revenue from these taxes, more than half regards taxes on energy (among which prevails the tax on oil products). The revenue from pollution taxes corresponds to 25% (mostly from excise duties on tobacco). Taxes on transport are divided between tax on motor vehicle sales (represents 14%) and unified traffic tax¹ (about 6%, in 2010). Finally, revenue from resource taxes (fishing and hunting licenses and fee for the use of public water domain) has almost no expression in the country (0.1%, in 2010).

From these figures, we conclude, therefore, that about 75% of revenue comes from taxation of energy products and vehicles.

Between 2006 and 2009, energy taxes increased their already high weight in total revenue from environmentally related taxes, with the loss of weight of taxes on pollution and the stagnation of taxes on transport.

¹ For comparison purposes, in 2006, all traffic taxes, that were replaced by the unified traffic tax, were added (local tax on vehicles, road tax – traffic and road tax - haulage).

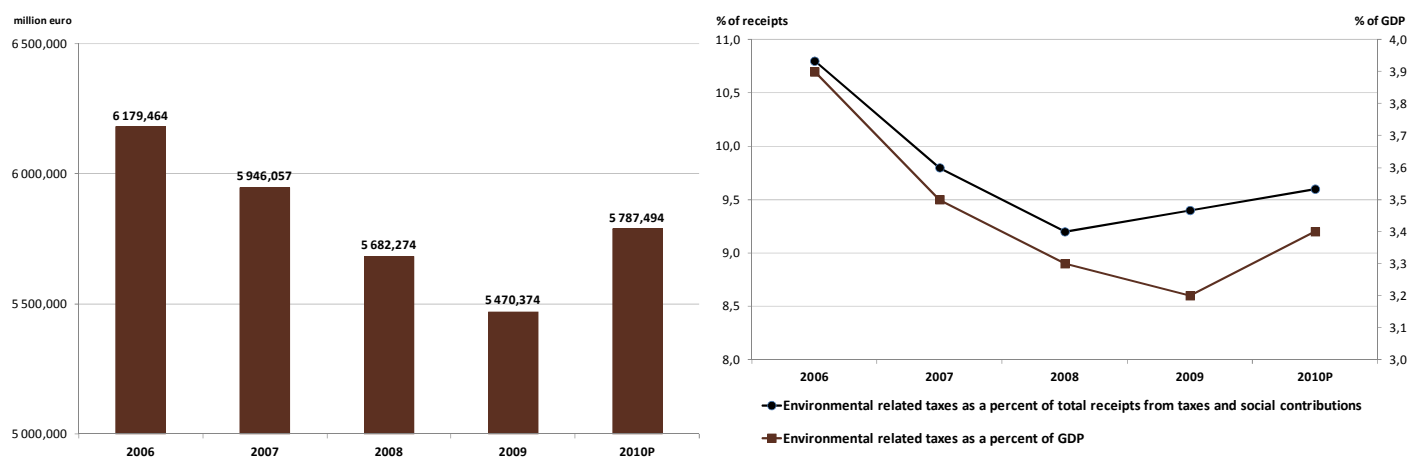
Figure 1 - Environmentally related taxes by category, in 2006 and 2010P (%)



In 2010, the value of these taxes totalized the importance of 5.79 billion euro, representing 9.6% of total receipts from taxes and social contributions of that year and 3.4% of GDP.

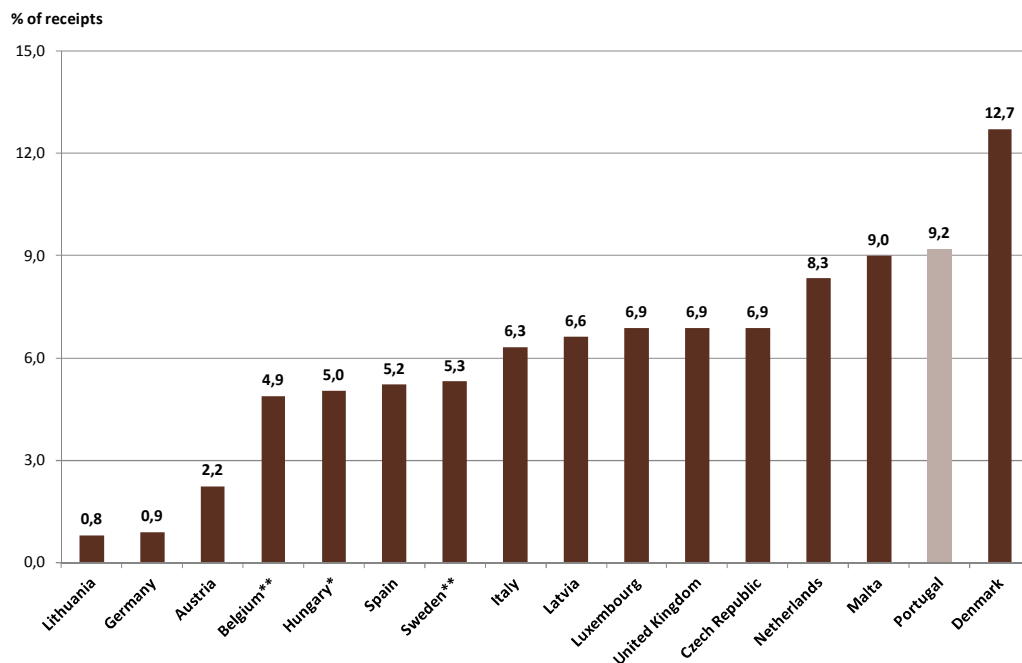
Analyzing the series in the period 2006-2010, there is a consecutive reduction of the value of environmentally related taxes until 2009, recording a little recovery in 2010. This can be explained by the fact that, in mid-2007, entered into force the global reform of vehicle taxation, which caused a significant reduction in revenues from tax on motor vehicle sales. In 2010, this revenue recovered, in part, and it was also recorded an increase in revenues from excise duties on tobacco, due to the anticipation of increased rates for 2011.

Figure 2 - Total environmentally related taxes



Comparing with other countries of the European Union (EU), for which data is available, in 2008, Portugal registered one of the highest values in indicator "Share of environmentally related taxes on total receipts from taxes and social contributions" as well in the indicator "Share of environmentally related taxes on GDP" (the second and third highest, respectively).

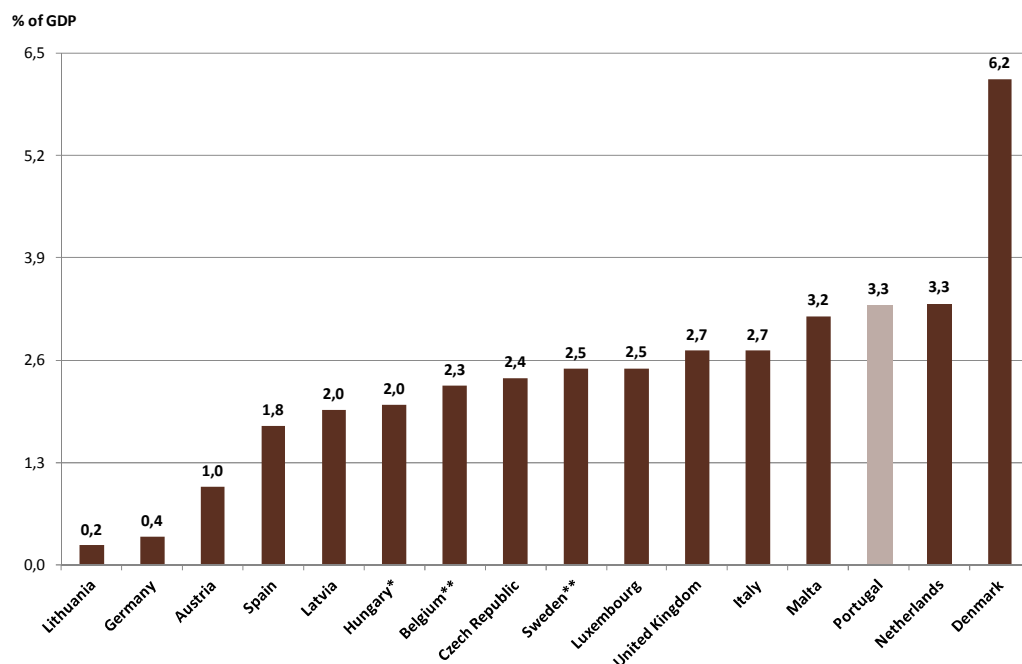
Figure 3 – Share of environmentally related taxes on total receipts from taxes and social contributions, in some EU countries, in 2008



* Data for 2006

** Data for 2007

Figure 4 - Share of environmentally related taxes on GDP, in some EU countries, in 2008

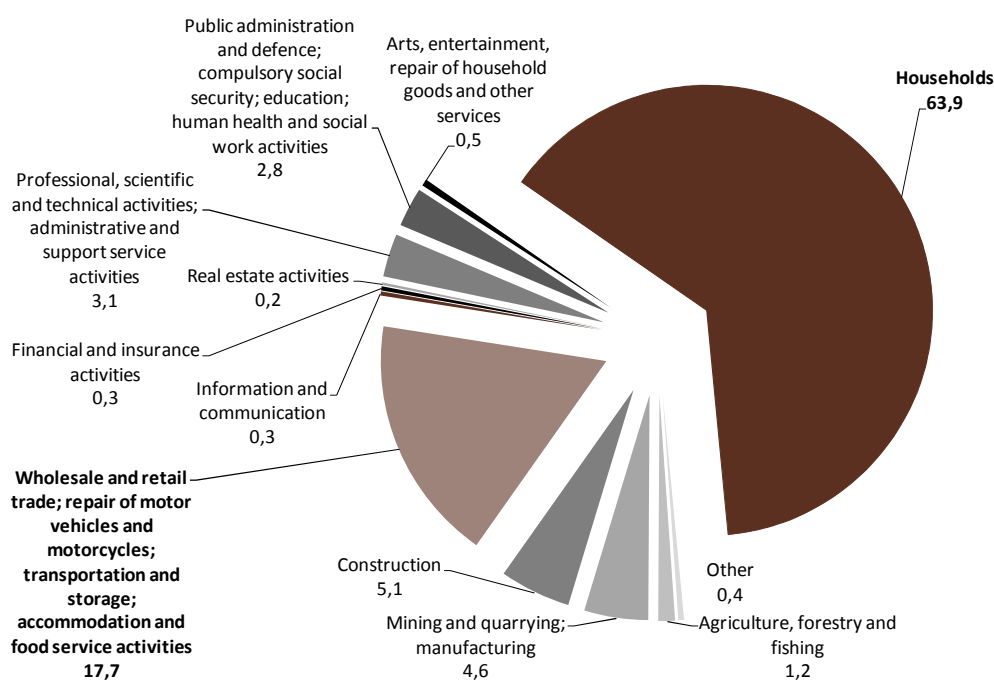


* Data for 2006

** Data for 2007

Analysing the tax revenues by taxpayer's main activity in the period of 2006-2009, Households (as consumers) contributed with 63.9% for the total revenues from environmentally related taxes. The industry that includes wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage and accommodation and food service activities contributed with 17.7% to this total. The remaining activities of the economy contributed with the remaining 18.4% of the total.

Figure 5 - Environmentally related taxes by industry and households, in the period of 2006-2009



Analyzing the data by industry and by category, in 2009, Households contributed almost exclusively to the revenue from taxes on pollution (99.9%). This result is expected because this category includes the excise duties on tobacco. The remaining revenue in this category concerns the tax on noise.

Households also have a large weight in total revenues from transport taxes (71.6%) and energy taxes (44.8%).

The industry that includes wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage and accommodation and food service activities also has an important share in total revenues from energy taxes (28.6%) and from transport taxes (13.4%). This happens because this branch includes the activity of transport and storage, which consumes a lot of fuel and has a large stock of transport equipment, which are two tax bases considered for environmentally related taxes.

Finally, it appears that in industries, most revenue from environmentally related taxes is concentrated in the category of energy taxes (85.2%), while in Households there is a more equitable distribution among the different categories (42.1% of total value is on energy taxes, 36.2% in pollution taxes and 21.8% in transport taxes).

Table 1 - Environmentally related taxes by activity branch and households and by category, in 2009

unit: million euro

	NACE A10	ENERGY	POLLUTION	RESOURCE	TRANSPORT	TOTAL
1	Agriculture, forestry and fishing	61,871	-	0,118	4,529	66,518
2	Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	220,108	-	6,542	31,178	257,828
3	Construction	257,346	-	0,034	13,804	271,184
4	Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	912,586	-	0,091	138,672	1 051,349
5	Information and communication	13,702	-	-	2,309	16,011
6	Financial and insurance activities	12,720	-	-	2,588	15,308
7	Real estate activities	9,252	-	-	2,149	11,401
8	Professional, scientific and technical activities; administrative and support service activities	69,519	-	0,089	81,637	151,245
9	Public administration and defence; compulsory social security; education; human health and social work activities	159,257	-	-	13,496	172,753
10	Arts, entertainment, repair of household goods and other services	23,492	-	-	4,000	27,492
	Total industries	1 739,853	-	6,874	294,362	2 041,089
	Households	1 432,305	1 232,445	0,031	741,033	3 405,814
	Other (non-residents and not allocated)	23,197	0,274	-	-	23,471
	Total	3 195,355	1 232,719	6,905	1 035,395	5 470,374

Environmentally related fees

Between 2006 and 2009, environmentally related fees have been increasing, rising from 324 million euro to 530 million euro.

Although there are an increasing number of these fees, in terms of revenue, fees for solid waste collection, treatment and disposal and fees for wastewater collection, treatment and management are the most important, in the period under review, representing, in 2009, 78.4% of total revenue collected from environmentally related fees.

In categorical terms, it is noted that the overwhelming majority of revenue comes from taxes on pollution (97.1%, in 2009), a situation that is explained by the fact that these fees are used to finance various pollution management and mitigation systems to deal with waste generated by the social-economic system.

However, the importance of these fees in GDP is still rather small. In 2006, they represented 0.2% of that macroeconomic aggregate, reaching 0.3% in 2009.

Adding the total revenues from environmentally related fees to the total revenues from environmentally related taxes, in 2009, as a whole, this amount represented 3.6% of GDP.

Table 2 - Environmentally related fees, between 2006 and 2009

unit: million euro

FEE DESCRIPTION	2006	2007	2008	2009
Energy fees	-	-	3,913	4,924
Fee on energy inefficient light bulbs	-	-	3,913	4,924
Pollution fees	323,857	412,225	413,255	516,998
Fees for solid waste collection, treatment and disposal	133,259	156,653	176,277	181,331
Fees for wastewater collection, treatment and management	110,492	147,916	130,445	236,259
Fee for the recycling and disposal of packages (glass, cardboard, plastic, metal and wood)	50,376	65,834	64,251	59,630
Fee for the recycling and disposal of pharmaceutical and plant protection products	1,825	1,857	1,935	1,852
Fee for the recycling and disposal of used lubricating oils	5,588	5,679	5,632	4,996
Fee for the recycling and disposal of tyres	8,673	9,123	10,540	9,965
Fee for the recycling and disposal of old motor vehicles	0,250	0,246	0,245	0,248
Fee for the recycling and disposal of electrical and electronic equipments	10,930	22,458	22,517	21,126
Fee for the recycling and disposal of batteries and accumulators	2,464	2,459	1,413	1,591
Resource fees	0,093	-	-	8,056
Fee for the use of water resources	-	-	-	8,056
Fee for boiling springs management	0,093	-	-	-
Total environmental related fees	323,950	412,225	417,168	529,978

Methodological notes

Taxes consist of compulsory, unrequited payments, which are levied by general government. The term “unrequited” means in this context that government provides nothing directly in return to the individual unit making the payment, although they might use the funds to provide goods and services to other units or to the community as a whole.

Environmentally related taxes

Environmentally related tax statistics record data on revenues raised by governments from taxation on products and services with a negative impact on the environment. Thus, all taxes levied on these tax bases are environmentally related taxes (this definition is in agreement with Eurostat’s publication – [Environmental taxes – A statistical guide](#), from 2001).

The value added tax (VAT) is excluded from the definition of environmentally related tax. This is mainly because VAT is a neutral tax (with few exceptions) since it is deductible for industries but not for households. Therefore, it does not influence relative prices in the same way as an environmentally related tax do.

The source of information is table 9 of the national accounts (ESA 95) transmission programme – Regulation (EC) n. 1392/2007 of the European Parliament and of the Council, of 13 November 2007, which details tax and social contribution receipts by type of tax and social contribution and receiving sub-sector.

According to ESA 95, there are three main categories of taxes:

- Taxes on production and imports (D.2);
- Current taxes on income, wealth, etc. (D.5);
- Capital taxes (D.91).

For analytical purposes, the environmentally related taxes can be classified into four main categories:

- Energy taxes – this group includes taxes on energy products (petrol, diesel, fuel oil, natural gas, coal and electricity).
- Transport taxes – this group mainly includes taxes related to the ownership and use of motor vehicles. Taxes on other transport equipment – planes or ships – are also included here, when they conform to the general definition of environmentally related taxes. The transport taxes may be a single tax related to imports or sales of the equipment or recurrent taxes such as an annual road tax.
- Pollution taxes – this group includes taxes on measured or estimated emissions to air and water, management of solid waste and noise.
- Resource taxes – this group includes taxes linked to the extraction or to the use of natural resources, such as oil and gas, water, forests, wild flora and fauna, etc., as these activities deplete natural resources.

Environmentally related fees

The difference between a tax and a fee is on the way General Government uses the receipts. If the amounts collected are used to issue licences to organise some proper regulatory function (such as checking the competence or qualifications of the entity concerned or the promotion of management systems in areas that have a tendency to generate negative externalities), these payments should be treated as purchases of services from government (P.11, in ESA 95) rather than payment of taxes, unless the payments are clearly out of all proportion to the cost of providing the services. Some examples are garbage disposal fees or wastewater collection, treatment and management fees.

Regarding the several integrated waste management systems operating in the country, despite being managed by entities that do not belong to General Government, they are licensed by the Portuguese Environmental Agency, where they are given a mandate to assume a role that should be the responsibility of the State, so the revenues collected for the management of each system are considered to be an environmentally relevant fee.