25 October 10:30-13:00 CEST | hybrid event

SUSTAINABLE TAX SYSTEM: TOWARDS A GREEN FUTURE

ACCOUNTANCY EUROPE.

WELCOME

Olivier Boutellis-Taft

CEO, Accountancy Europe

SLIDO TIME!

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#GREENFUTURE

ENVIRONMENTAL TAXES – THE CONTRIBUTORS

- Claudia Dias Soares, Independent consultant
- Francesco Orsi, Wageningen University & Research
- Kyle Pomerleau, American Enterprise Institute
- Chiara Putaturo, Oxfam
- Arthur ten Wolde, Ecopreneur.eu
- Thomas Pogge, Yale University

Moderator: Paul Gisby, Accountancy Europe

Why low VAT rates for sustainable products are needed for a circular economy

Arthur ten Wolde
Executive Director of Ecopreneur.eu

Sustainable tax systems: towards a green future
organised by Accountancy Europe
Brussels, 25 October 2022

ecopreneur.eu
European Sustainable Business Federation

ACCOUNTANCY EUROPE.

About Ecopreneur.eu – European Sustainable Business Federation

ecopreneur.eu

BNW Bundesverband Nachhaltige Wirtschaft e.V.

eV Entreprendre Vert

grüne wirtschaft.at

MVO NEDERLAND

ecopreneur-belgium.be BUSINESS FEDERATION OF ECO-PRENEURS

CIREKO

Responsible Business Forum Estonia

3000 companies, 97% SMEs

Why VAT differentiation? (1)

- True pricing: end unfair competition
- Nudge consumers
- Accelerate transition - urgent
- Politically much easier than increasing taxes

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Why VAT differentiation? (2)

- A sustainable economy could be readily achieved given sufficient political will
- EU VAT directive allows differentiation only for solar panels, bicycles, waste treatment, vegetables, fruit, repair services, resold goods and transactions with clearly defined social reasons
- EU measures taken and proposed are still not enough

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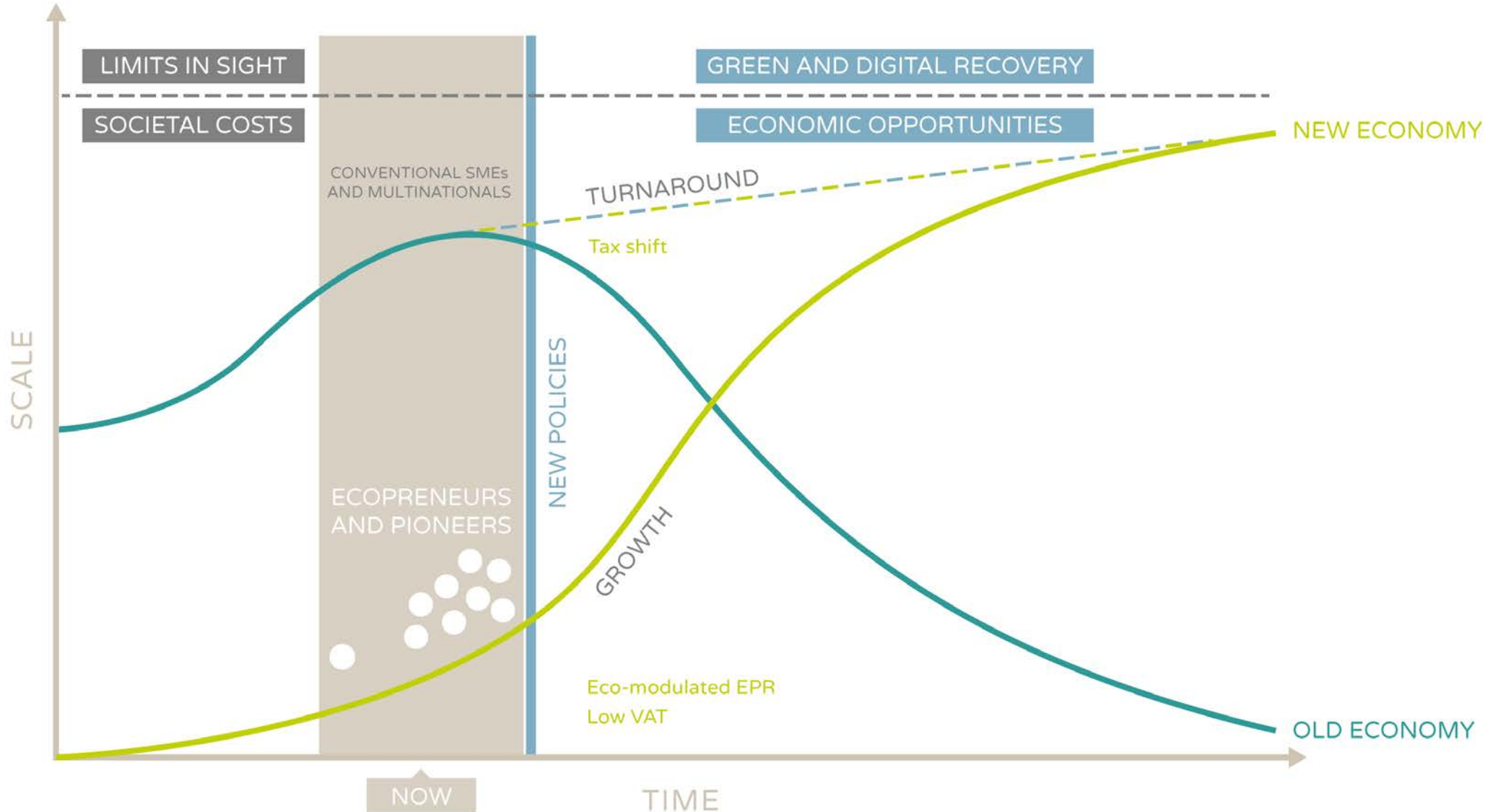

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How to introduce low VAT rates?

- Temporary for all product groups
- Including renewable energy, cradle-to-cradle, lease or rent with product-return and recycling provisions
- Especially for products
- Tax neutral
- Impact based
- Prevent leakage
- Use materials-specific fiscal tariffs where needed
- EU switch from unanimous to majority decision making on tax matters

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THANK YOU

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COFFEE BREAK

11:10 – 11:30

ACCOUNTANCY EUROPE.

FIRESIDE CHAT – THE EU, SUSTAINABILITY & TAXES

Benjamin Angel, Director, DG TAXUD

Paul Tang, Chair of FISC Committee, MEP

Interviewer:

Femke Groothuis, President, The Ex'Tax Project

ENVIRONMENTAL TAXES – THE CONTRIBUTORS

- Steffen Kallbekken, CICERO Center for International Climate Research
- Margit Schratzenstaller-Altzinger & Angela Köppl, Austrian Institute of Economic Research
- Walter Stahel, Product-Life Institute
- Alethea Warrington, Possible
- Janek Vähk, Zero Waste Europe
- Maria Volanen, Technology Industries of Finland

Moderator: Paul Gisby, Accountancy Europe

°CICERO

Sustainable tax system:

Public support for environmental taxes

Dr. Steffen Kallbekken

Accountancy Europe seminar
Brussels/online October 25 2022

Understanding public attitudes towards environmental taxes.

Insights from focus groups, lab experiments and surveys.

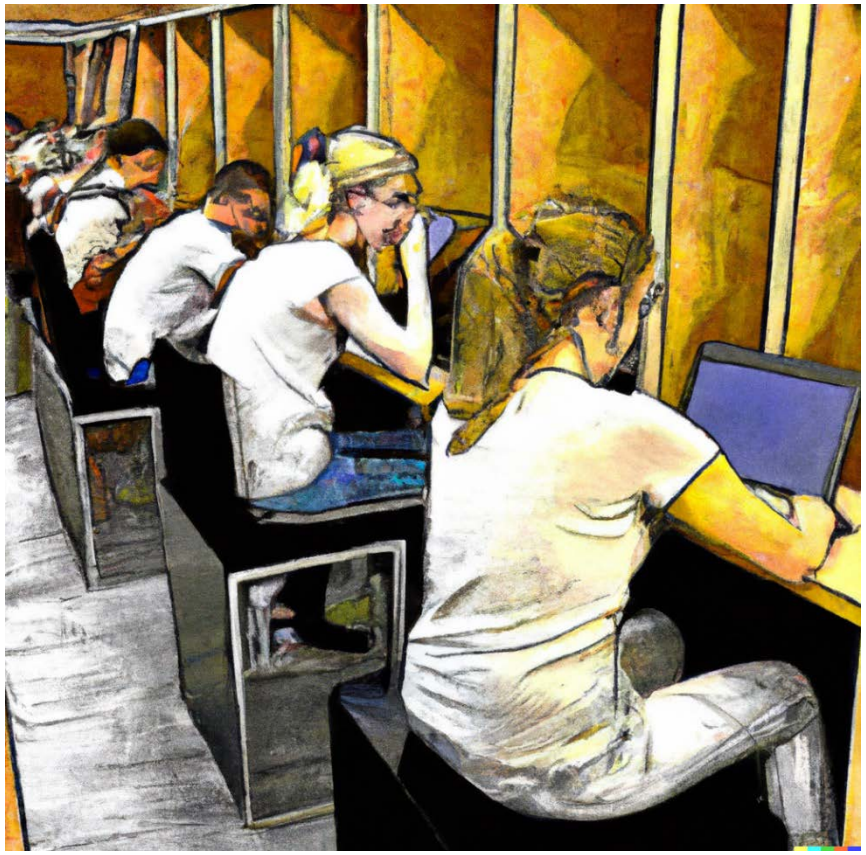
Credit: Francois Guillot/AFP/Getty

Insights from focus groups

- Taxes are kind of ok…
- …as long as the revenues are earmarked…
- …although we do see some problems with that.
- We do not buy the double dividend argument!
- Tell us more and provide alternatives!

Credit: Steffen Kallbekken using DALL•E

Insights from lab experiments



Credit: Steffen Kallbekken using DALL•E

- Majorities oppose taxes that would leave them better off in a simple market with an externality.
- Experience increases support.
- Taxes are less popular than subsidies because of greater uncertainty over costs and benefits.

"…what is obvious to an economist – if the activity causing the externality is reduced, overall welfare will increase – is far from obvious to our subjects, even when an explanation is provided."

Insights from surveys

- Support depends crucially on:
  - ➢ Perceived fairness
  - ➢ Perceived effectiveness
  - ➢ Environmental concern
- Majority support for green taxes when using insights on «best practices».
  - ➢ Use of revenue remains key: Earmarking or fee and dividend generates support, and clear information is a minimum.

Credit: Steffen Kallbekken using DALL•E

°CICERO

Thank you

Steffen Kallbekken
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Sustainable Tax Systems: milestones towards a sustainable society

Accountancy Europe, Brussels, 25 October 2022

Dr h.c.mult. Walter R. Stahel
Full Member of the Club of Rome,
Visiting Professor, Faculty of Engineering, University of Surrey
Senior Research Fellow, CERC, Ecole des Ponts Business School
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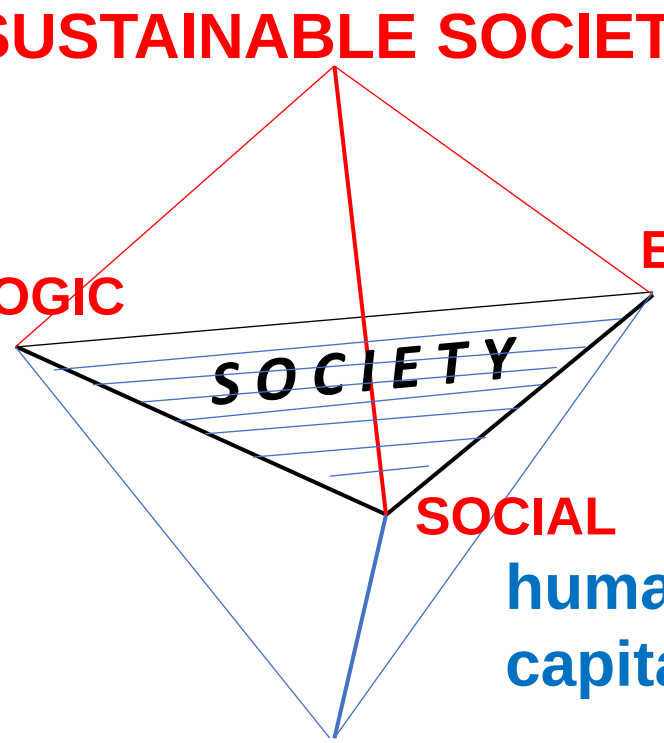
Introduction

OBJECTIF: *HAPPINESS*

QUALITATIVE *WORLD*



OBJECTIF: *MAINTAINING THE VALUE OF ASSETS*

PHYSICAL *WORLD*

*Sustainability comes from **caring** for natural, human and manufactured assets.*

Steuern sind zum steuern da - taxes are there to steer

Steering demands a strategic long-term vision, such as a Circular Economy and a sustainable society built on renewable resources.

The European Commission in 2015 defined a **Circular Economy** *"… as an economy where "the value of products, materials and resources is maintained in the economy for as long as possible, and the generation of waste is minimized".*

Renewable resources include **Labour,** and people are also the only resource with a qualitative edge of skills, expertise, creativity, that can be greatly improved through education and training, but will rapidly degrade if unused.

1st take-away: *Caring is the foundation of sustainability, so do not tax (punish) workers doing it.*

- CARING activities to maintain the value of human (health and education), cultural, natural assets are skill and labour intensiv
  As the resulting 'products' cannot be re-sold, the industrial economic considers them as 'unproductive' and unsuitable, at most a 'nice to have'.
- In the Circular Industrial Economy, CARING activities by people working in essential services are the basis *"to maintain the value of products, materials and resources in the economy for as long as possible"* (EU)

CONCLUSION: DO NOT TAX LABOUR working in—for a sustainable society essential—CARING activities of the Circular Economy.

Further benefits of not taxing labour

- Sustainable taxation will reduce the costs of all activities of “caring”.
- The economist E.F. Schumacher stated in Chapter 1 of ‘Small is beautiful’ (1973) “… *the key factor of all economic development comes out of the mind of man*” and “progress comes through education: *in a very real sense, therefore, we can say that education is the most vital of all resources*.”

Is there an ethical priority to use labour as skills rapidly degrade if unused?

- The knowledge and know-how of past technologies are necessary for retrofitting infrastructure and equipment. Extending the service-life of equipment thus creates meaningful employment opportunities for “silver workers”, providing revenue to complement pension schemes, reducing pressure on social systems.
- Not taxing human labour considerably reduces tax administration costs—labour tax is based on a large number of small incomes—and reduces incentives for black work in the shadow economy, which accounts for a double-digit percentage of many national GDP.

2nd take-away: a Circular Economy "*maintains the value of products, materials and resources in the economy*".

Sustainable taxation should treat the Circular Economy on its own merits, by:

(a) not charging VAT on such value preservation activities as re-use, repair, remarket, remanufacture—no Value Added—with the possible exception of technologic upgrading activities.

(b) giving carbon credits for the prevention of GHG emissions.

Services that extend the product-life of manufactured objects maintain the embodied GHG emissions and thus prevent new emissions - but today receive no carbon credits.

CONCLUSION: no VAT but plain carbon credits on value maintaining service-life extension will advance the Circular Economy.

Further benefits of product-life extension services

Services that extend the product-life of manufactured objects save huge amounts of water by maintaining embodied water from initial production.

- **Water** is a unique renewable resource: quantitatively because there is no resource that can replace it, and qualitatively because clean water is a necessity for the health and survival of people and animals.

The Circular Economy is built on economics, innovation and competitiveness:

- Circular Economy actors maintaining ownership of their goods and embedded resources *for as long as possible* gain a high future resource security and price guarantee, save transaction and compliance costs and achieve a big cost advantage over throughput-based linear producers:
- "*The goods of today are the resources of tomorrow at yesteryear's prices*", a winning argument in times of rising resource prices.

3rd take-away: Sustainability, a strategic long-term vision of mutually reinforcing policies

The British RSA (Royal Society for the Encouragement of Arts, Manufactures and Commerce) in 2003, to mark its 250th anniversary, put forward a manifesto called "Progress Unlocked," promoting "*moving towards a zero-waste society through the development of mutually reinforcing policies, products, technologies, behaviours and lifestyle that reduce waste of all kinds, with zero waste as the long-term ideal*."

CONCLUSION: Full Producer Liability, similar to PPP (Pollution Pays Principle), Sustainable Public Procurement and Sustainable Taxation are mutually reinforcing policies to advance the Circular Industrial Economy and a sustainable society.

Why bother about taxation in the Circular Economy ?

It is the only economic strategy to face all three of today's sustainability challenges:

A **low waste** society can be achieved by

- **a transfert to a circular economy** including cultural changes in individual behaviour – from consumer to user,
- loss and waste prevention through intelligent resource management.

A **low carbon** society can be achieved by

- **a transfert to a circular industrial economy** preserving the water, electricity and CO_2 emissions embodied in manufactured objects,
- innovation into circular green electricity.

A **low anthropogenic mass** society can be achieved by

- **a transfert to a circular industrial economy** preserving the existing stocks of infrastructure, buildings, equipment, vehicles.

PHILOSOPHICAL TRANSACTIONS OF THE ROYAL SOCIETY A

rsta.royalsocietypublishing.org

Policy for material efficiency—sustainable taxation as a departure from the throwaway society

Walter R. Stahel

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Research

Cite this article: Stahel WR. 2013 Policy for material efficiency—sustainable taxation as a departure from the throwaway society. Phil Trans R Soc A 371: 20110567. http://dx.doi.org/10.1098/rsta.2011.0567

One contribution of 15 to a Discussion Meeting Issue 'Material efficiency: providing material services with less material production'.

Subject Areas:

The present economy is not sustainable with regard to its *per capita* material consumption. A dematerialization of the economy of industrialized countries can be achieved by a change in course, from an industrial economy built on throughput to a circular economy built on stock optimization, decoupling wealth and welfare from resource consumption while creating more work. The business models of a circular economy have been known since the mid-1970s and are now applied in a number of industrial sectors. This paper argues that a simple and convincing lever could accelerate the shift to a circular economy, and that this lever is the shift to a tax system based on the principles of sustainability: not taxing renewable resources including human labour—work—but taxing non-renewable resources

Relevant literature 2013

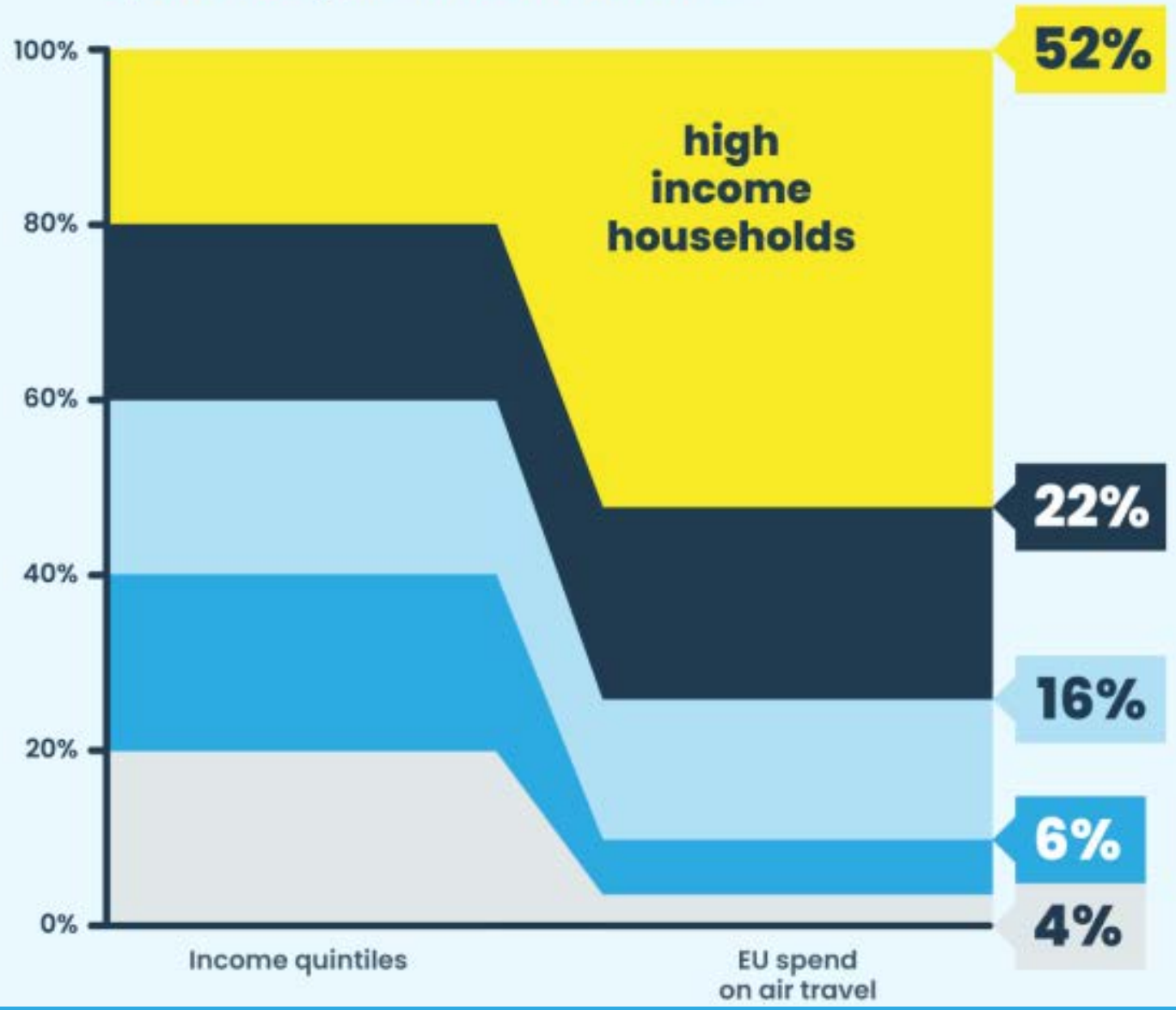
CIRCULAR ECONOMY ALLIANCE

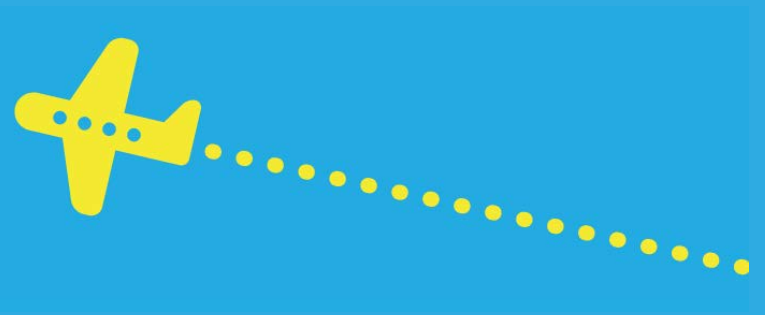
Thank you for listening !

Dr h.c. Walter R. Stahel

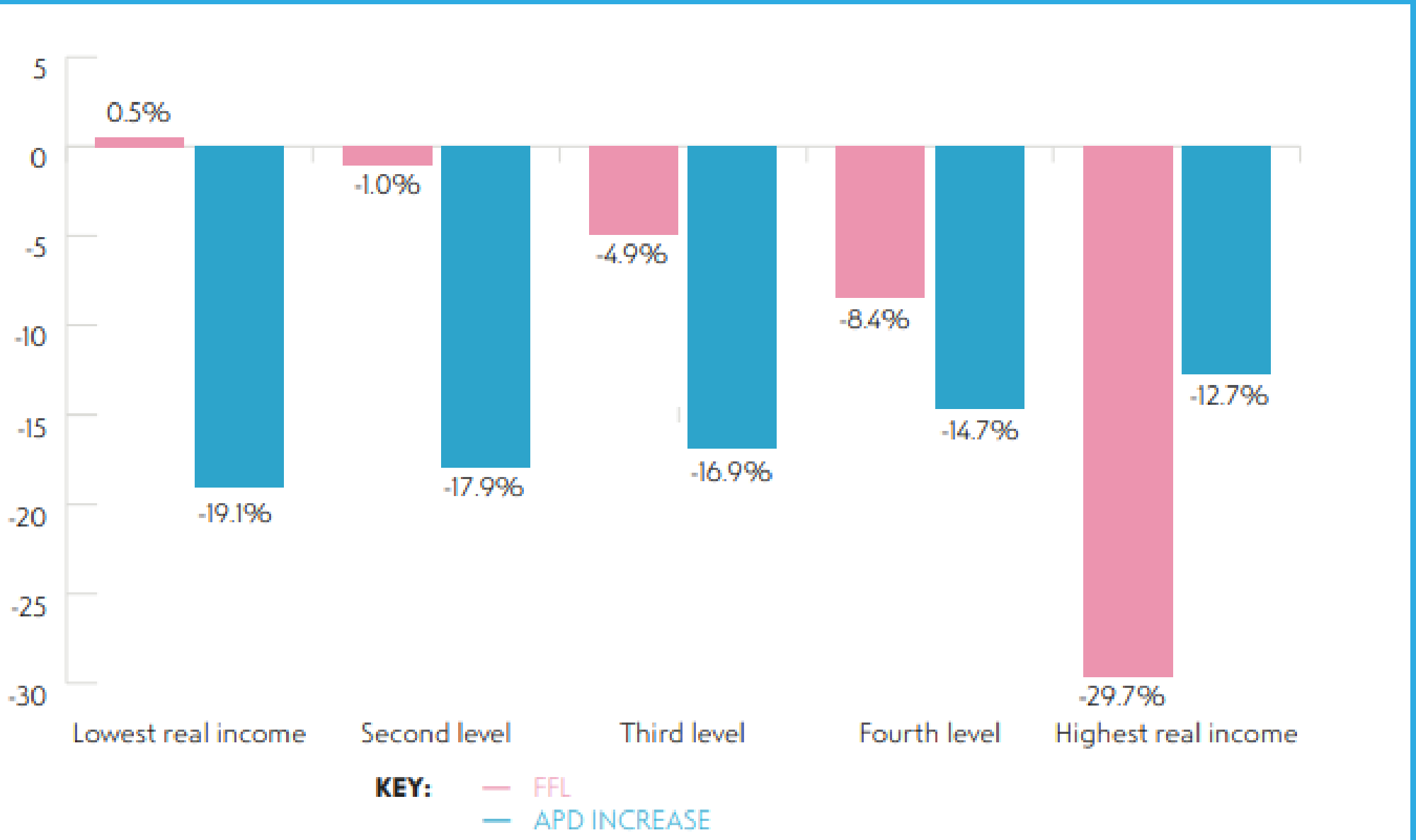
www.product-life.org, wrstahel2014@gmail.com

Figure 3: Proportion of total EU expenditure on air travel by the 20% highest income households.





Possible.
Inspiring climate action



Possible.
Inspiring climate action

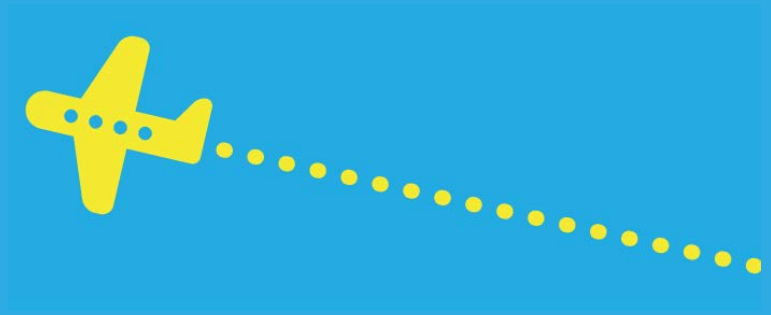
NEW ECONOMICS FOUNDATION

A FREQUENT FLYER LEVY
SHARING AVIATION'S CARBON BUDGET IN A NET ZERO WORLD

TABLE 1: PROPOSED TAX SCHEDULE FOR A FREQUENT FLYER LEVY

Flight	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Leisure (£)	0	25	60	105	160	225	300	385	480	585
Business (£)	25	60	105	160	225	300	385	480	585	700

Source: Authors' calculations



Possible.
Inspiring climate action

Sustainable tax system: towards a green future

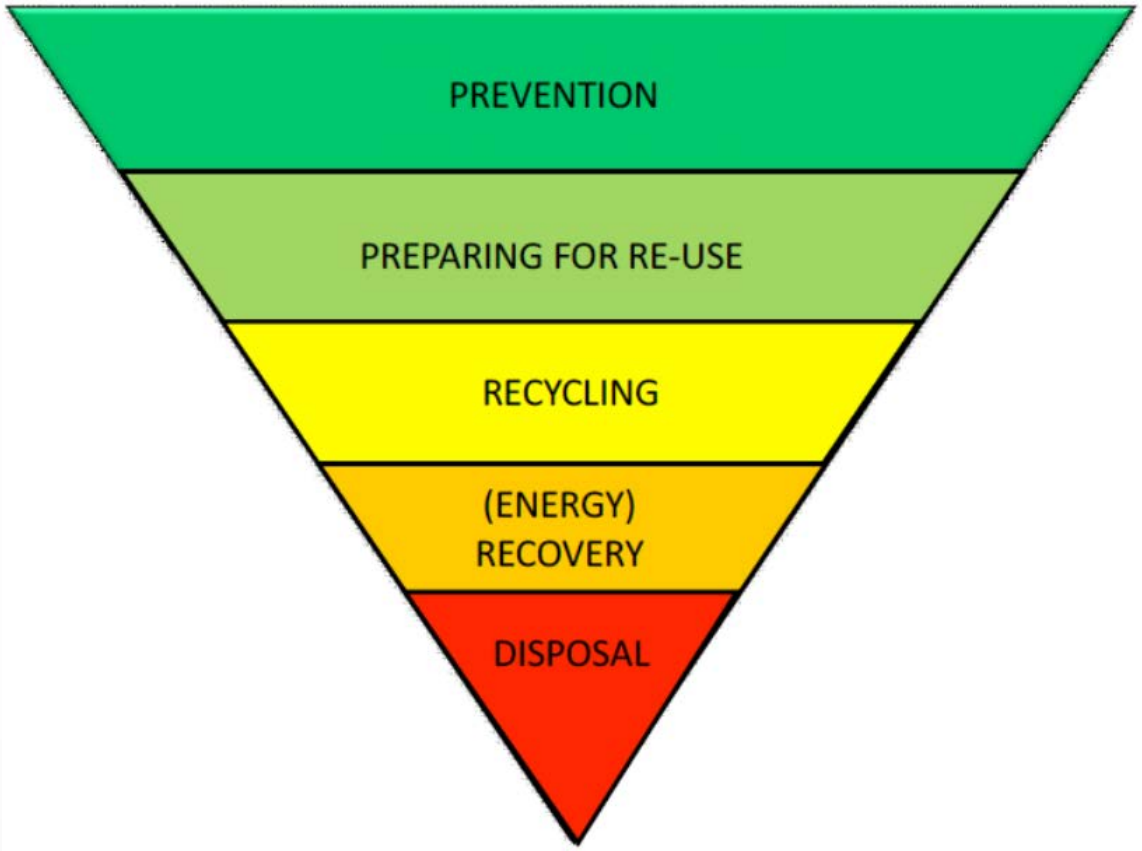
Janek Vahk, Climate, Energy and Air Pollution Programme Coordinator, Zero Waste Europe

Oct 25, 2022

janek@zerowasteeurope.eu

zerowasteeurope.eu

The status quo: too much focus on recycling & disposal



- Municipal waste generation up to 505 kg per
- 48 % of municipal waste in the EU was recycled
- Nearly half of waste generated is incinerated or landfilled
- Too much focus on recycling & landfilling

Contradicting climate and energy subsidy /pricing schemes

Renewable Energy

- Waste considered as 'renewable' energy
- No distinction between sep collected biowaste and 'biogenic fraction of wastes'

EU Emission Trading Scheme

- Currently no CO2 price on incinerators at the EU level

Recommendations

<u>Aligning climate and renewable energy policy with CE policies</u>

- Remove RE subsidies for mixed waste to support separate collection
- Include incinerators and landfills in the EU ETS

- Potentially, price biogenic CO2 emissions

ZERO WASTE EUROPE

Thank you!

Janek Vahk-
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Technology Industries of Finland

Accountancy Europe: Sustainable tax system: towards a green future
25 October 2022

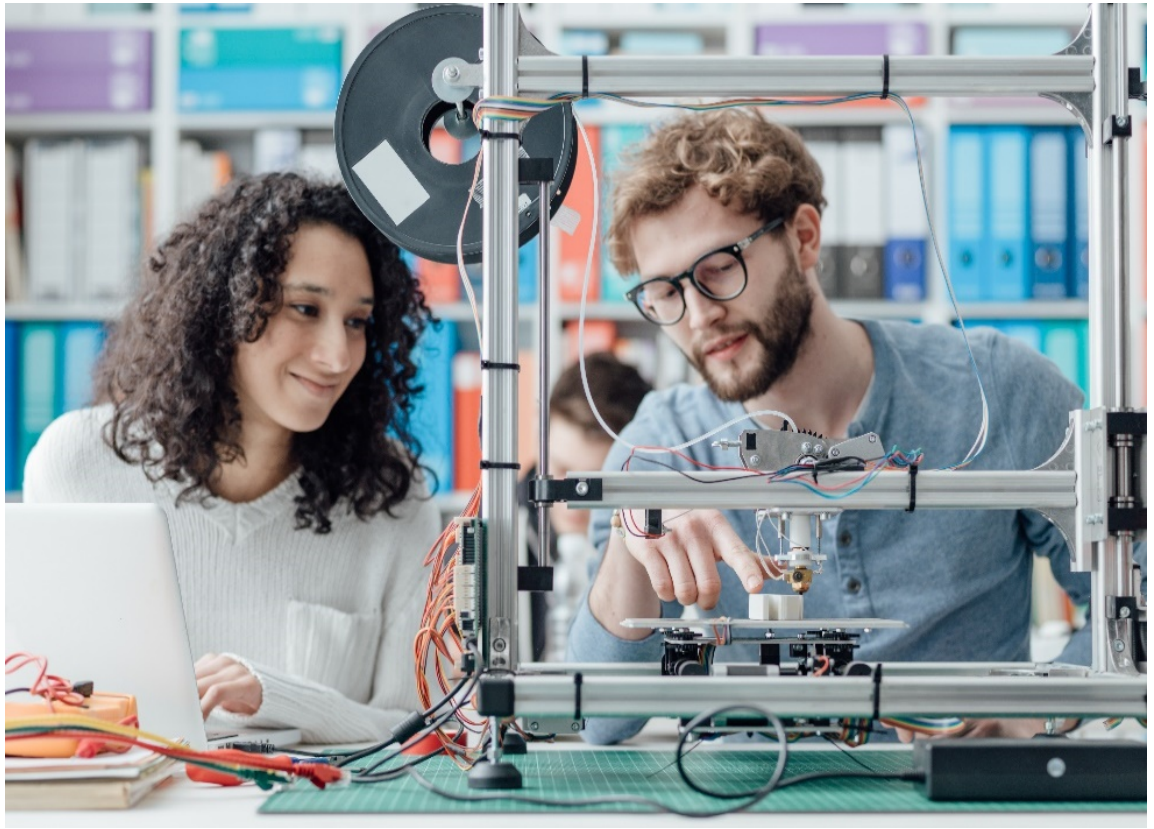
What is sustainable taxation from the perspective of business?

Maria Volanen, Head of Taxation Policy, Technology Industries of Finland

The Technology Industry –

the Largest Export Sector in Finland

- **50 %** of total Finnish exports.
- **65 %** of private-sector R&D investment.
- Total employment effect: **1/4** of all employees in Finland.
- Technology industry comprises five sub-sectors:
  - **electronics and electro technical industry**
  - **mechanical engineering**
  - **metals industry**
  - **consulting engineering**
  - **information technology industries**
- Technology Industries of Finland is a business organization representing Finnish technology industry companies. It has over **1,800** member companies.



Sustainable tax systems

Taxation is a toolkit, not a goal.

We need to know the goal before we know what tools to use.

Green

- Energy and environmental taxation
- Support low carbon solutions with e.g. R&D tax incentives
- ETS, global carbon taxation

- Green export (Finland annual potential EUR30bn)
- Grow carbon handprint (emissions lowering potential)

Fair

- Taxation system must be considered in its entirety
- Fair taxation on global, Member State, company and individual level
  - Impact assessments
  - Long term predictability, tax certainty
- Efficient, simple taxation, prevent dispute resolutions
- Fight tax evasion and minimise tax gap

Digital

- Real time economy (RTE)
- Efficient, simple taxation
  - Digitalised, automated taxation
  - Harmonised tax reporting
  - Savings in administrative costs (public and private)

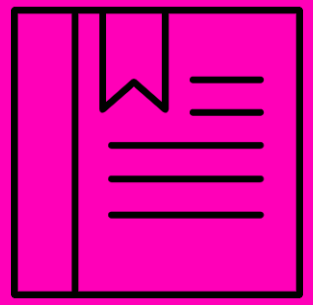
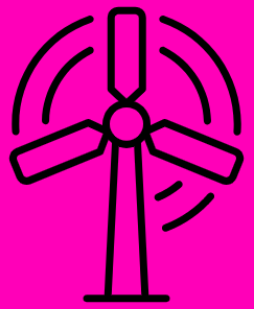
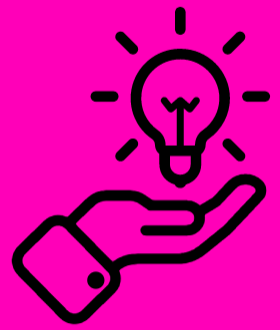
Global co-operation

- Global tax solutions preferred
- Global competitiveness
- Avoid trade tensions
- Tax dispute resolution and prevention

– to be updated Q4/2022-Q1/2023

Most of the emissions reduction methods are based on electrification of processes and machinery, increasing energy- and material efficiency, circular economy, and applying digital solutions.

Prerequisites

International markets and fair rules for low-carbon solutions 	**Intelligent energy system, where low-emission and cheap electricity is available.** 
R&D- and demonstration activity that speeds up the development of tehnologies 	**Steady operational environment that advances industrial investments.** 

The power of sustainability

Technology Industries of Finland published a study on 20 October 2022, based on a large survey (teknologiateollisuus.fi/en)

Focus:

- benefits and bottlenecks of sustainability from a business perspective
- effective actions
- importance and role of voluntary sustainability actions
- future prospects and levers for impact
- The role of sustainability in financial performance

Sustainability is a question about money - it creates financial results, but primarily pursuing financial results does not have the same leverage on sustainability impacts

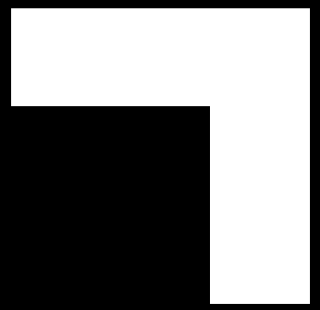
Which individual sustainability actions will have the greatest general impact?

- Reducing indirect greenhouse gas emissions
- Improving energy efficiency in your own operations
- Designing products and services to be environmentally and climate resilient
- Promoting equality within your organisation
- Promoting customer involvement

Which individual sustainability actions generate the greatest financial results?

- Reducing consumption of natural resources/raw materials
- Use of renewable energy only
- Promoting employee well-being in your organisation
- Promoting a diverse working environment in your organisation
- Designing products and services to be socially sustainable
- Improving profitability

Thank you!



Technology Industries of Finland

CLOSING REMARKS

Paul Gisby

Senior Manager, Accountancy Europe

THANK YOU FOR YOUR PARTICIPATION!

ACCOUNTANCY EUROPE.