

## 12. Green Taxes – A Step Towards Sustainability

**Dr. Pompi Das Sengupta**

Arka Jain University.

### **Abstract:**

*This study looked at green taxation as one of the strategies used by governments to safeguard the environment and discourage businesses from having a negative impact. A fee placed on products and activities that contribute to environmental degradation is known as a "green tax," often called an "environmental tax" or a "pollution tax." The intention is to dissuade these kinds of activity and encourage environmentally acceptable substitutes.*

*In India, among other things, taxes are levied on income, imports, and goods and services. All profits from business activities and incomes must be paid as taxes to the government. On the other hand, there are additional taxes that must be paid on cars in India. These are called green taxes and carbon taxes on carbon emissions. The green tax in India is the basis of this study. Green taxes, sometimes referred to as environmental, pollution, eco, and carbon taxes, are imposed to decrease the tax burden from growth-oriented factors and to help reduce pollution and the depletion of natural resources. Green taxes have not been widely accepted worldwide, despite the fact that they are mainly observed to be applied in developed nations. A few developing countries employ soft policies, such incentives for renewable energy. Green tax policies have faced several challenges, primarily as a result of their negative impact on the economy, which includes high unemployment rates.*

### **Keywords:**

*Carbon tax, Green Taxation, Environment, Financial Sustainability, Renewable Energy*

### **12.1 Introduction:**

Environmental taxes, like carbon dioxide and other dangerous gases, are commonly referred to as "green taxes." It also applies to any greenhouse gas released into the atmosphere that harms the environment. The main objective of this fee is to reduce pollution by cutting back on the release of dangerous gases. This tax may be applied to petrol and other fuels, businesses that emit harmful emissions, and older vehicles that don't comply with regulations, depending on the amount of CO<sub>2</sub> present.

Concerning connected matters, the Organization for Economic Co-operation and Development, or OECD, is in responsibility globally. India is one of the main allies of the OECD, with 67 member nations. All of these countries must follow the rules that this organization has established in order to limit pollution by taxing dangerous gases. Nearly every country has imposed environmental taxes, also referred to as "green taxes," in order to hold individuals who pollute the environment responsible for their activities and to collect money for the harm they bring to the ecosystem.

### **12.1.1 Advanced Tax Types:**

- Energy taxes: These levies are intended to discourage the use of fossil fuels such as natural gas, coal, and oil. The tax rate increases with energy consumption. This promotes energy conservation and the use of renewable energy sources while discouraging energy waste.
- Transportation Taxes: These levies are aimed at automobile emissions. This could be a tax based on the size of the engine, the type of fuel (diesel, petrol, etc.), or the emissions. The intention is to discourage driving highly polluting cars and to encourage the adoption of hybrids, electric cars, and other more fuel-efficient vehicles.
- Pollution taxes are levied against the direct emission of pollutants into the air, water, or land. This might take the form of a fee on wastewater discharge, nitrogen oxide emissions from cars, or sulphur dioxide emissions from companies. Industries have a financial incentive to minimize their tax burden by reducing pollution.
- Resource taxes: These levies are aimed at the mining, logging, or water extraction industries. The goal is to promote sustainable practices and prevent excessive resource consumption. These levies' proceeds can be applied to resource extraction-related environmental harm or conservation initiatives.
- Garbage Disposal Taxes: These taxes are based on the volume of garbage produced and either burned or dumped in landfills. Reducing waste generation and promoting composting, recycling, and waste minimization techniques are the goals.

### **12.1.2 Principles for Proper Environmental Taxation:**

The OECD states that sound environmental laws should adhere to the following guidelines:

- With very few exceptions, environmental levies ought to be directed on the pollutant or polluting behavior.
- An environmental fee should cover as much ground as the extent of the harm.
- The tax rate needs to be proportionate to the harm done to the environment.
- To encourage actions that contribute to environmental protection, the tax needs to be believable, and its rate needs to be predictable.
- Revenues from environmental tax reform can be utilized to lower other taxes or as additional revenue.
- Other policy tools should be used to address distributional implications.
- Competitiveness issues must be carefully considered, not to block taxes but to provide a means of coordinating policies and setting up grace periods for changeover.
- Public approval of environmental taxation depends on clear information.
- To address specific concerns, environmental taxes may need to be used in conjunction with other environmental policy tools.

### **12.2 Literature Review:**

An empirical study on Malaysians' perceptions of the green/environment tax is discussed by **Natrah Saad and Zaimah Zainol Arrifin (2019)**. The primary focus of the study was the rising number of environmental contamination incidents in the nation as a result of

growing business activity. Thus, through the analysis of papers and interviews, qualitative data was gathered. By conducting a survey and labeling treatment, **Andrea Baranzini and Stefano Carattini (2016)** analyze the primary factors influencing the acceptance of carbon taxes. It mostly focused on the acceptability of these carbon tax policy ideas and the benefits and drawbacks of carbon taxes.

According to **Herman Cahyo's (2017)** research, there are fiscal programs in place to reduce pollution, such as the green economy. In this green economy, there are two prominent two major standout instruments are taxes and subsidies.

This study was conducted to address the problems of environment degradation in coastal Banyuwangi Regency (Indonesia). Companies are important for a nation's economic development. They do, nevertheless, also play a major role in the adverse effects on the environment.

Governments have implemented green taxation policies in an effort to reduce their use of natural resources in manufacturing and production by raising the cost of these resources as inputs. This is a response to their desire to protect the environment. Many nations have imposed green taxes, albeit they haven't yet achieved their goal (**Siebers et al., 2019**).

### **12.3 Objectives:**

- To study on green tax in India
- To identify the challenges in implementing the green tax

### **12.4 Methodology:**

Journal papers on green, environmental, and carbon pricing were used in this study. The publications are established in various nations and have employed various techniques. This research paper's literature review draws from a wide range of journals and articles that have examined various subjects linked to the business and government implementation of green taxes, including energy, sustainability, the environment, economics, and transportation. The application of green taxation, the circular economy, and the effects of green taxation on the economy have all been examined in this study using secondary data.

#### **A. India's Green Push: Circular Economy and Green Taxation:**

India, a nation on the rise, faces the dual challenge of economic development and environmental sustainability. The circular economy and green taxation are two emerging policy tools gaining traction to address these challenges.

#### **B. The Circular Economy: A New Paradigm**

The traditional linear economic model - take, make, dispose - is increasingly unsustainable. The circular economy offers an alternative, focusing on keeping products and materials in use for as long as possible. Here's how it works in India:

- **Reduce:** Design products that are durable, repairable, and easy to disassemble. This minimizes resource consumption and waste generation.
- **Reuse:** Encourage the reuse of products and materials before discarding them. This could involve product buy-back programs, repair services, and second-hand markets.
- **Recycle:** When products reach their end-of-life, recover and reprocess the materials for use in new products. This reduces reliance on virgin resources and creates a closed-loop system.

### **C. Green Taxation: A Nudge for Change:**

Green taxation complements the circular economy by making environmentally damaging activities more expensive.

This incentivizes businesses and consumers to adopt circular practices:

- **Discouraging Virgin Materials:** Taxes on raw materials like virgin plastic or metal can make recycled materials more cost competitive.
- **Promoting Resource Efficiency:** Taxes on energy consumption or water usage encourage businesses to optimize their processes and minimize waste.
- **Extended Producer Responsibility:** Taxes can be levied on producers based on the end-of-life management of their products. This incentivizes them to design eco-friendly products that are easier to recycle or reuse.

### **12.5 Effects of Green Tax:**

- The impact of substantial tax and investment reforms on corporate investments is a well-established fact. With the most open economy and major tax reforms, the Indian government has undoubtedly elevated India above all other nations in terms of business attraction, opening up new avenues for both national and international corporate expansion.
- In the meanwhile, the government enhanced power and infrastructural conditions while pursuing tax reforms. One of the most crucial elements in boosting a nation's competitiveness abroad is its tax system.
- If we open up to the outside world to promote development without making any major reforms to taxes or investments, it could be a pointless exercise. Tax competitiveness nowadays involves more than just lowering tax rates; rather, it involves stable, transparent, and seamless tax policies.
- In this increasingly globalized setting, government innovation, understanding of business requirements, and creation of an environment conducive to investment are all critical.
- Similar to this, businesses must justify their capital expansion expenses, profitability, and choices, thus choosing the best location for manufacturing and production is crucial.
- With a renewed emphasis on tax reforms, India is succeeding on all fronts and making a good image with its cautious investment and tax reforms.

### **12.5.1 Obstacles to the Green Tax:**

Green taxes, though intended to curb pollution and promote environmental responsibility, face some challenges in India:

- **Balancing environment and economy:** A major concern is finding the right balance between environmental goals and economic growth. Higher green taxes can burden industries, potentially leading to job losses and impacting competitiveness.
- **Designing effective tax structures:** The complexity of pollution varies across industries and regions. Designing a fair and effective tax structure that considers these variations is crucial. A poorly designed tax structure could disproportionately impact certain sectors or lead to inefficiencies.
- **Ensuring compliance and enforcement:** Enforcing green taxes effectively can be challenging. Weak monitoring systems and a lack of resources can allow for evasion, reducing the tax's impact.
- **Public awareness and acceptance:** For green taxes to be successful, there needs to be public awareness about their purpose and the environmental benefits they bring. Without this understanding, people may resist the additional burden of the tax.
- **Alternatives to green taxes:** Some argue that other policy instruments, like emissions trading schemes, could be more effective in curbing pollution. These schemes allow polluters to buy and sell pollution permits, creating a market incentive to reduce emissions.

Despite these challenges, green taxes can be a valuable tool for environmental protection in India. By addressing these challenges through well-designed policies, effective enforcement, and public education, green taxes can play a significant role in promoting a cleaner and more sustainable future.

### **12.5.2 The Path Forward:**

Despite the challenges, India is making strides towards a greener future. Government initiatives like the Swachh Bharat Abhiyan (Clean India Mission) promote waste reduction and resource recovery. Additionally, tax breaks for recycling facilities and green businesses are steps in the right direction. By embracing the circular economy and implementing well-designed green taxation policies, India can achieve sustainable development, reduce its environmental footprint, and create a more resource-efficient future.

### **12.6 Results and Discussions:**

It has been difficult for governments and environmental organizations to raise public understanding of how corporations harm the environment and how it impacts individuals negatively, such as through global warming. There is still more work to be done, even while companies are improving their sustainability and acknowledging their negative effects, as seen by their regular sustainability reports. Green taxes, which aims to discourage the detrimental effects of enterprises on the environment, is one way to safeguard the environment.

Since the United Nations and other international organizations have established targets for environmental protection, the application of green taxes has increased. This study has shown that not all nations have enacted green taxes, with others preferring to use more accommodating strategies like replacing renewable energy sources. As a result, the global community is failing to meet its objective of lessening its adverse environmental effects.

### **12.7 Conclusion:**

It is important to emphasize the influence on GDP in addition to the country's increased economic and welfare benefits. Environmental contamination is a concern shared by all global political leaders. Many concerns about global warming arise and disappear on a daily basis. Tax revenue generated by taxpayers is beneficial to the government. One is the advancements in technology and the taxpayers' ignorance of the green tax. Therefore, raising awareness among the general public and industry is imperative. Does the imposition of taxes alter the way that people or businesses live or operate in the nation, or does it help to cut down on pollution? Nobody knows how to respond to this. However, to put it more realistically, the tax will load the government's coffers. Environmental issues are disregarded in favor of economic development, which is what everyone needs and is given greater attention to. As is widely known, the purpose of these levies is to stop pollution. Stricter laws have the potential to increase its effectiveness. This green tax is implemented gradually in India. The fact that no state is required to impose this tax, as there is no hard and fast regulation, accounts for the gradual increase. It will be difficult to succeed in this, for that reason. Even though attempts are being made to reduce pollution, the government does not force people to pay taxes because pollution levels are rising. It is also the responsibility of the people to pay taxes on their own, rather than relying on the government to do it. This will not only reduce pollution but also allow the locals to be proudly referred to as "Responsible Citizens."

### **12.8 References:**

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