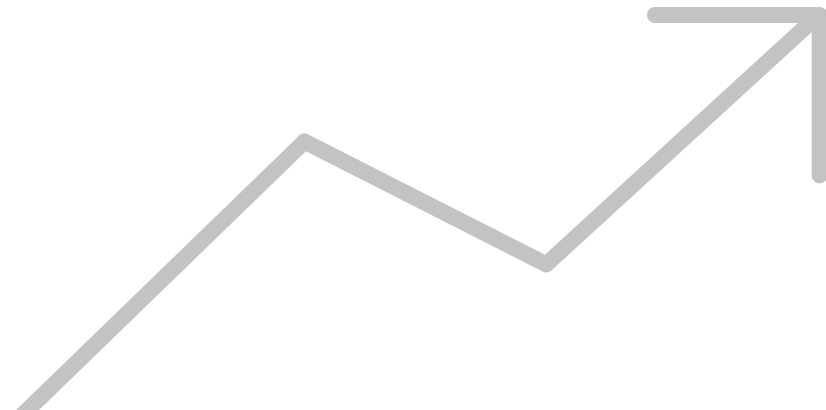


SEEA CF Update

Issue C7 - Elaborating environmental tax abatements

UN London Group: 23 September 2025



Background:

Current Treatment in SEEA CF

- » SEEA CF records explicit transactions (taxes, subsidies)

- » SEEA CF is aligned with SNA principles (only explicit transactions)
 - » Currently excludes implicit fiscal interventions (tax abatements, preferential tax rates)

- » SNA has few exceptions:
 - » imputed transactions (e.g., owner-occupied housing services)

Motivation

- » Tax abatements are an important fiscal policy tool with environmental, social, and economic objectives.
- » They can be larger in monetary value than explicit subsidies.
- » Frequently implemented for social/economic reasons, with environmental impacts as side effects.
 - » They can be designed for positive environmental outcomes, but the effects vary.
 - » Some abatements reduce harm compared to alternatives, yet remain damaging overall.

Research Questions (1/7):

- » **What should be included under the definition of tax abatements in the SEEA CF?**
 - » And should **tax abatements on environmental tax bases** be accounted for differently than **tax abatements on VAT**, given that VAT is generally not considered an environmental tax?
 - » And how should free emission permits in emission trading schemes be treated?

Research Questions (2/7):

- » Given the complexity of tax systems and the methodological challenges encountered during the work on PEDS, **can metrics such as Effective Carbon Rates—or similar analytical approaches—be adapted to support the development of a cross-country comparable account** within a statistical framework like the SEEA CF?
- » The Guidance Note aims to explore this boundary and clarify how such metrics might be used to inform environmental-economic accounting without departing from the statistical scope of the Framework.

Research Questions (3/7):

- » How can tax abatements be incorporated into the SEEA CF without the **risk of double-counting** in the accounts?

Research Questions (4/7):

- » **Do we need different approaches for environmentally friendly tax abatements and those that are negative to the environment?**
 - » For environmentally friendly transfers, we use a purpose-based concept (ESST), while for environmental taxes—which are closely related to tax abatements in name—we rely on the concept of a negative environmental tax base. This raises the question of whether a consistent approach is needed?

- » **How can we distinguish between environmentally friendly tax abatements and those that are negative for the environment?**
 - » What reasons might there be for not using the **ESST/PEDS criteria** here?

Research Questions (5/7):

List Approach:

- » **Could a list of tax bases serve as a useful tool for identifying products and activities affected by tax abatements?**

- » One possible example is the list in Table 1 of the Eurostat Environmental Taxes Guidelines (DOI: 10.2785/730717), which includes energy, transport, pollution, and resources. Other approaches could build on or adapt similar tax base categories to fit different policy or country contexts

Research Questions (6/7):

Classification

- » **What could be a good classification for tax abatements?**
 - » Could the **CEP** (for tax abatements friendly to the environment) or the **classification used in ETEA** (for tax abatements unfriendly to the environment) be a good starting point for a classification?

Research Questions (7/7):

Accounting Rules:

- » **At what point in time should tax abatements be accounted for?**
- » **Who should be credited with the tax abatements?**

Links to other SEEA CF update issues:

- » Issue **A6** – Introduction of thematic accounts and strengthening the link to policy:
- » Issue **A5** – Harmonization with other international classifications and updates of relevant frameworks/manuals.

- » Issue **C1** – Inclusion of the Classification of Environmental Purposes (revised CEA).
- » Issue **C2** – Inclusion of the integrated framework for monetary accounts.
- » Issue **C3** – Extending the scope of environmental activities.
- » Issue **C6** – Inclusion of potentially environmentally damaging subsidies/related transfers.

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