



DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS  
STATISTICS DIVISION  
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System of  
Environmental  
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## SEEA Central Framework update

# Scoping note for issue C7: “Elaborating environmental tax abatements”

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Note: This Scoping Note has been prepared in the context of the SEEA Central Framework update, mandated by the United Nations Statistical Commission in 2024. A set of [29 issues](#) was identified for the update process and endorsed by the United Nations Statistical Commission in 2025. As an initial step, Scoping Notes were developed for each issue to elaborate on its description and provide a common understanding of the work required to fully investigate and formulate recommendations for the updated SEEA Central Framework. Each Scoping Note was prepared by a lead author and discussed in the relevant Task Team. They were subsequently reviewed by the SEEA CF Technical Committee and the UNCEEA, and approved by the SEEA CF Technical Committee.

## 1 Background to the issue

1. Current treatment of tax abatements in the SEEA CF: The SEEA CF currently records taxes and subsidies that involve explicit transactions between institutional units. However, it excludes the measurement of implicit fiscal interventions, such as tax abatements or preferential tax rates, which do not involve explicit transactions<sup>1</sup> under the SNA principles (SEEA CF 2012). Consequently, no estimates of these fiscal flows are included in the SEEA CF. This is fully aligned to the SNA, which only records explicit transactions and does not record implicit transactions, with a few exceptions such as so-called ‘imputed transactions’, such as the owner-occupied dwelling services, which impute a rent paid and received to the household owning its residence.
2. The role of tax abatements in fiscal policy: Tax abatements are used by governments as a fiscal policy tool to meet environmental, social, and economic objectives. These abatements can be significantly larger in monetary value than explicit transfers. Yet, despite their relevance, the SEEA CF does not currently include tax abatements, leaving a gap in the representation of state interventions.
3. Tax abatements are implemented with a range of intentions and can have both positive and negative environmental impacts. In some cases, they are designed to promote the use of environmentally friendly products or practices. However, their actual impact on the environment can vary. In some cases, abatements granted with positive environmental intentions may nonetheless lead to negative environmental outcomes. It is common for tax abatements to be implemented primarily for social or economic reasons, with any environmental effects arising only as unintended side effects rather than as the main purpose. There are also instances where the aim is to reduce environmental harm compared to conventional alternatives, and while the relative impact may be lower, the product or activity receiving a tax abatement can still cause significant environmental damage. There is therefore a very broad range of interventions under the umbrella name of ‘tax abatements’. This complexity highlights the need to account for tax abatements within the SEEA CF to better understand their environmental implications.

## 2 Motivation for considering a change to the SEEA Central Framework

4. Taxes, tax relief and actual subsidies and transfer payments are economic and social policy measures that belong to the toolkit that policymakers can use to achieve their goals. It is therefore advisable, to support statistical and policy requirements, to integrate tax relief in a structured way into the environmental economic accounting framework. This is advisable for obtaining intertemporal and international comparability and enable cross-country comparisons and enhance transparency regarding the environmental effects of policy measures. In addition to environmental subsidies and similar transfers and environmentally related taxes, it is therefore essential to include potentially environmentally damaging subsidies and transfers. However, depending on the definition, tax abatements and other implicit transactions are not always observable and are therefore more difficult to estimate, resulting in higher estimation errors. Whenever integrating them in SEEA CF, they will have lower quality estimates than other

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<sup>1</sup> To be noted that some tax abatements actually do involve explicit transactions as a part of the construction, when the rebate is paid after the expense has been made as a refund. This can be investigated in the Guidance note.

transactions. Integration of tax abatements in SEEA CF is therefore a move seeking to produce more complete and less biased measures but may result in higher errors and inaccuracies.

### 3 Nature of the proposed change and research questions

5. This section highlights the need for describing a structured approach to environmental tax abatements within the SEEA CF, setting the foundation for inclusion in the SEEA CF.
6. The proposed change seeks to establish a clear accounting methodology for environmental tax abatements within the SEEA CF, by describing how these abatements can be defined, calculated and recorded. It will be important to set out a clear terminology, showing what types of transactions can be assessed within the SEEA CF. Experience and lessons from related SEEA CF accounts may be used, for instance from ESST (Environmental Subsidies and Similar Transfers), PEDS (Potentially Environmental Damaging Subsidies), environmental taxes and others. It is also important that the introduction of tax abatements does not create logical inconsistencies with the definitions used in other accounts. While environmental tax abatements function similarly to subsidies in terms of their effect, their close connection to the tax system means they must also remain consistent with the definitions of environmental taxes and taxes in general.
7. Moreover, it should be discussed how an account within the SEEA CF can adequately reflect the interconnectedness between environmental tax abatements, environmental taxes, potentially environmentally damaging subsidies (PEDS), and environmental subsidies and similar transfers (ESST)—without creating a misleading picture. Capturing these relationships is crucial, as tax abatements only exist in the context of an underlying tax.
8. Environmental tax abatements take various forms, each with different implications for the balances shown in other SEEA CF accounts. While these abatements may have similar effects from the perspective of consumers—such as lowering the price of a good—the underlying economic flows can differ significantly. Some are implicit; others involve explicit payments.

The definition and scope of what constitutes an environmental tax abatement must still be clearly established. Depending on the definition adopted, more or fewer types of abatements will fall within the scope of measurement. Examples that need to be discussed range from cases where no tax was ever collected, to those where taxes are estimated and later refunded, and others where taxes are collected and then fully repaid to specific groups because no alternative method of abatement is feasible for the government.

There are also cases where producers are subject to an environmental tax, but certain consumer groups receive government subsidies to offset the resulting price burden. While such payments are classified as PEDS, they also illustrate the complex interactions between environmental taxes, subsidies and tax abatements.

At least two key dimensions illustrate the intertwining of environmental taxes and subsidies:

- a) While all subsidies require an explicit transfer under the SNA, some tax abatements may also involve explicit transfers—particularly when administrative limitations prevent alternative approaches. However, not all explicit payments related to environmental taxes qualify as environmental subsidies or tax abatements—some are

merely administrative corrections, such as adjustments for miscalculated tax amounts or reconciliation payments following lump-sum advances.

- b) A tax abatement always requires a reference tax, which serves as the trigger for the theoretical environmental effect and the basis for measuring the monetary value of the abatement. However, some subsidies are triggered by the tax burden on consumers and also produce environmental effects.

Thus, environmental subsidies, taxes, and tax abatements form a complex and interdependent system, which the SEEA CF needs to represent in a clear and transparent way.

- 9. Lists identifying environmental tax bases provide useful starting points and inspiration for identifying environmental tax abatements. One example is the Eurostat environmental tax base list (DOI: 10.2785/730717), which highlights tax bases impacting the environment. Where available, other similar lists could also be considered. Expanding such resources to cover tax bases beyond emissions and fossil fuel use—to include broader effects on water, soil, biodiversity, and other ecological systems—could improve their usefulness for identifying tax abatements.
- 10. However, the experience that have been gained when this area has been developed as part of the work on PEDS, has shown the complexity of tax systems when it comes to fossil fuel abatements. Thus, the Guidance note is aiming to describe the methods established in particular when it comes to finding metrics that can be comparable between countries, such as Effective Carbon Rates or elaborations of similar kinds.

#### 4 Key research questions include:

- a) 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?
- b) 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.
- c) How can tax abatements be incorporated into the SEEA CF without the risk of double-counting in the accounts?
- d) 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?

- e) 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?
- f) 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.
- g) 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?
- h) At what point in time should tax abatements be accounted for?
- i) Who should be credited with the tax abatements?

## 5 Links to other SEEA CF update issues

11. In taking forward work on tax abatements, links should be made to the following SEEA CF update issues:
  - a) Issue A6 – Introduction of thematic accounts and strengthening the link to policy: Environmental tax abatements are classified as tax incentives that directly impact the environment, enabling a clearer assessment of the effects of related policies. By incorporating these into the SEEA CF framework, it enhances the ability to monitor the environmental outcomes of policies. This also strengthens the connection between policy objectives and their environmental impacts, facilitating more informed decision-making and communication regarding their environmental consequences.
  - b) Issue A5 – Harmonization with other international classifications and updates of relevant frameworks/manuals.
  - c) Issue C1 – Inclusion of the Classification of Environmental Purposes (revised CEA): Could the accounting and communication of tax abatements be improved by adopting a classification system similar to the Classification of Environmental Purposes (CEP)?
  - d) Issue C2 – Inclusion of the integrated framework for monetary accounts: Any integration of implicit transaction must fit with existing recording structures for explicit transactions, such as those in EGSS and EPEA.
  - e) Issue C3 – Extending the scope of environmental activities: The concept of environmental tax abatements should align with other established definitions of environmentally related activities. This alignment would ensure greater consistency across various related concepts, fostering a more coherent understanding of their role in environmental policy.

- f) Issue C6 – Inclusion of potentially environmentally damaging subsidies/related transfers:  
As tax abatements can have a similar effect as subsidies, the underlying classification principles of PEDS could still be applied to them. It is important to define tax abatements in a way that aligns with the frameworks of PEDS, ESST and ETEA to maintain logical consistency and ensure a coherent approach across related concepts.

## 6 Existing materials

12. CSO; Ireland: Fossil Fuel Subsidies:  
[https://www.cso.ie/en/media/csoie/methods/fossilfuelsubsidies/SIMS\\_Quality\\_Report\\_for\\_Fossil\\_Fuel\\_Subsidies\\_2021.pdf](https://www.cso.ie/en/media/csoie/methods/fossilfuelsubsidies/SIMS_Quality_Report_for_Fossil_Fuel_Subsidies_2021.pdf)
13. OECD: data base
  1. <https://www.oecd.org/en/topics/tax-and-the-environment.html>
  2. <https://www.oecd.org/fossil-fuels/>
14. UN London Group:  
Draft LG Paper on Environmental Taxes, Transfers (Subsidies) and Emissions Trading Schemes  
[https://seea.un.org/sites/seea.un.org/files/session\\_2\\_position\\_paper\\_env\\_taxes.pdf](https://seea.un.org/sites/seea.un.org/files/session_2_position_paper_env_taxes.pdf)