

# Draft Guidance Note C7 Tax abatements/reliefs summary

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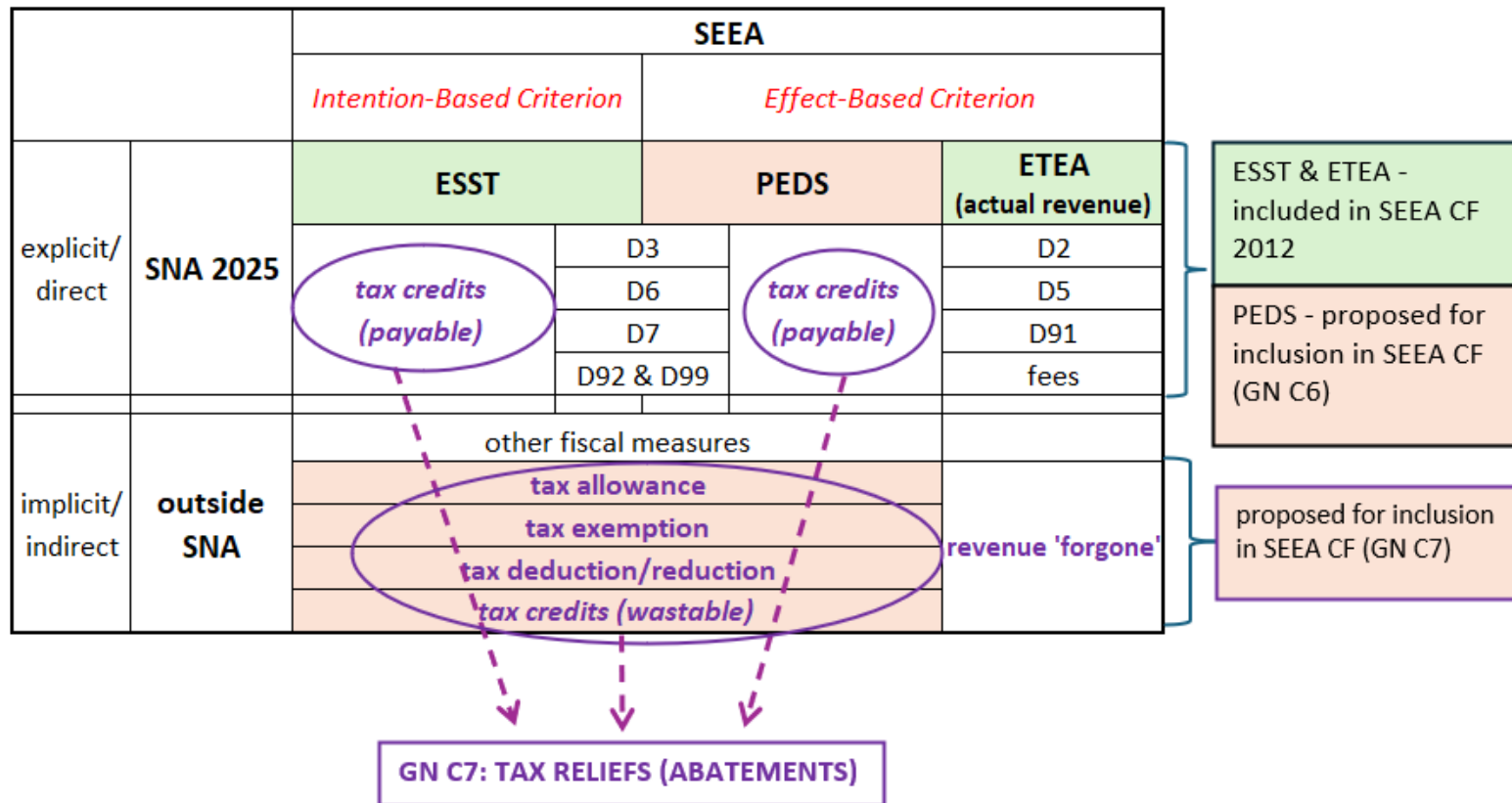
# The issue

- **Tax abatements/tax reliefs** are used by governments as a fiscal policy tool to meet environmental, social, and economic objectives, changing the price of certain goods, services or activities.
- Tax reliefs as such are **not considered in the SEEA CF 2012**. However, there are existing statistics on tax reliefs being produced regularly within the statistical community both in National Statistical Offices (NSOs) and in international organisations.
- In the context of further developing the SEEA-CF, the inclusion of tax reliefs is important to ensure that environmental-economic accounts provide a comprehensive and policy-relevant picture of fiscal instruments affecting the environment.
- A key issue is that tax abatements/tax reliefs are (largely) implicit transactions not described in the SNA (or SEEA).
- **Goal of this GN: provide recommendations how tax abatements/tax reliefs related to the environment can be included in the SEEA CF**

# Terminology and definitions

- We would recommend using the term 'tax reliefs' instead of 'tax abatements'. This will ensure consistency with the SNA.
- We propose to define tax reliefs *as the reduction of, or exemption from, taxes, granted by government, to support certain production and consumption activities.*
- Need to clarify terminology both from within and outside of SNA to relate the systems to one another.

# National accounts recording & links with other environmental activity accounts and related flows



# Presenting tax reliefs in the updated SEEA (I)

- In principle, for the SEEA, two categories of tax reliefs are relevant: **potentially environmentally damaging and environmentally motivated tax reliefs**.
- These two categories should be considered in terms of definition and classification principles, under their respective topic umbrellas: the 'potentially damaging tax reliefs' under PEDS and the 'environmentally motivated tax reliefs' under ESST.

# Presenting tax reliefs in the updated SEEA (II)

- Provide definition, scope, etc. for tax reliefs **as implicit transactions**. Provide guidance how these implicit transactions can be calculated. Describe the relation with other SEEA accounts, in particularly ESST and PEDS.
- Recognize that compiling data for implicit transactions is statistically challenging. Therefore, also include **Effective Carbon Rates (ECR)** as an alternative approach to provide data on tax reliefs.

# Classifications

- No need to recommend new classifications
- Use CEP for environmentally motivated tax reliefs
- See Guidance note C6 on Potentially Environmentally Damaging Subsidies for classifying potentially environmentally damaging tax reliefs

# Tax reference rates

- Presentation of different options to assess tax reference rates
- There can be reasons to use national reference rates for national analyses of the tax system
- There is also a need to find methods to make international comparisons
- There are cases where products or emissions are not taxed e.g. by international convention. Also a tax rate of zero on environmentally harmful goods is of interest to reflect

# Effective Carbon Rates (ECR)

- ECRs provide a solution for being able to objectively illustrate the effect of a mix of economic instruments on different fuels.
- Treatment of International aviation and shipping, territorial vs residents principle, how to match the data on taxation and emissions will be described.
- Also how to think about other greenhouse gases such a methane.

# Development since February (TT meeting)

- Slight restructuring and improving text
- Adding a suggestion for questions for the global consultation
- Adding more introduction and some more examples
- Adding an annex for some of the special cases to ease the reading of the guidance note

# Questions for global consultation-draft

- Do you agree to include a new section (module) on tax reliefs in the SEEA CF, including a definition, scope, etc. for both environmentally motivated tax reliefs and potentially environmentally damaging tax reliefs ?
- Do you agree with the proposed definition of tax reliefs, i.e. *the reduction of, or exemption from, taxes, granted by government, to support certain production and consumption activities* ?
- Do you agree that as explicit tax reliefs (e.g. tax credits) are already recorded in ESST or PEDS these should not be recorded in the new module of tax reliefs, to avoid double counting ?
- Do you agree to include both implicit tax reliefs and ECRs, noting that in practice data for implicit tax reliefs are difficult to compile and ECRs may provide an alternative way that can represent tax reliefs by fuel and industry in an internationally harmonised way?
- Do you have any additional comments ?