

Future Prospects on Implementation of Eco-Taxation

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ABSTRACT

This paper talks about various forms of eco taxes adopted by OECD countries is compared with the India scenario to overcome the pollutions causing from the different industries as they are releasing toxic gases which are affecting the human health. This paper also talks about the similarities between India and other countries in implementing the eco taxation and to address the environmental issues. This paper also tells us that the need of implementing the eco taxation in India. In this paper it has been highlighted that how the metropolitan cities are affecting with the pollution in India.

1. Introduction

An Eco tax is tax levied on activities which are considered to be harmful to the environment and is intended to promote environmental activities via economic incentives. In the contemporary world there has been a lot of changes in the industrial sector. The Metropolitan cities in India like Bangalore, Chennai, Delhi and Kolkata are facing lots of environmental problems with industries like pollution, global warming, overpopulation, climate change, deforestation, due to this public is facing health issues. To overcome this major problem the implementation of eco taxation will be a better idea. The developed countries like Australia, New Zealand, USA, UK, and Canada have implemented the eco taxation successfully. The Indian Govt also had a programme to implement the eco taxation. But due to the problems of increase in cost of living in the Indian Government. The plan was not approved.

2. Review of Literature

1. In this study talks about the effects of implementing of environmental taxes in Indirect taxes of India with the examples of other developed countries implementing this. This paper was majorly focused on the changing charges of indirect taxes if eco taxation was implemented on those indirect taxes and the reason for not implementing the eco-taxation. (SRIVASTAVA, 2012)
2. In this study talks about the Implementation of eco taxation in China which shows that how it is been using the eco tax system for past 25 years and also some of the environmental tax reforms conducted in China. It also talks about various forms of eco-taxes to reduce carbon emissions in China. This paper also talks the effects when those Chinese eco-taxation policies implemented in India. (VERMA, 2016)
3. In this study it talks about what are the advantages and disadvantages of eco taxation and it also talks about how it helps to increase in economic growth and it also tells us that how other tax rates are affected. This paper tells us about characteristics of eco

taxation and which are the countries has successfully implemented the eco taxation. (JACKSON, 2016)

4. This paper talks about method of evaluating and adopting of the impact and the efficiency of environmental taxes in terms of visibility and operating cost and to know superior quality in their application and to mitigate environmental impacts. (Piciu, 2012)
5. This paper talks about the economic policies of two different countries in their ability to abate pollution and also create competition in between them and it also tell also tells us that how OECD countries created environmental awareness among them and their new process has been started in less developing countries in order to catch up with European and North–American environmental standards. (Joan, 2007)
6. This paper focuses on the whether the magnitude of long established environmental related taxes is related countries environmental performance while environmental taxes, policies, efficiencies have been discussed. This paper examines the environmental performance of 50 countries from all the regions in association with the amount of revenues from environmental taxes each country collects. (Miller .J Sebastian, 2013)

3. Research Design

a. Statement of Problem

To implement the eco taxation in Bangalore and reduce the pollution by imposing the eco tax on industries like chemical industries, and other type of industries which produce harmful gases like carbon monoxide etc which are affecting the environment.

Example Bellandur lake in Bangalore which is fully polluted and that water cannot be used for drinking purpose because of toxic gases produced by the surrounded 150 industries.

b. Sources of Data

The data from research has been obtained from secondary data. The researchers have collected data from trusted websites like OECD, Australian OVTT websites and China GOVT websites

c. Objectives

- To evaluate the changes in impact of eco taxation.
- To evaluate the changes in carbon emissions due to ecotaxation

d. Limitations

- The countries chosen are just two countries.
- There may be difference between implementation of eco-taxation in advanced and developing countries
- The factors indicating in the rise of GDP may be caused to other factors.

4. Analysis

Similarities between India and China

The neighbouring countries India and China are well known countries in the Asian continent. They both share some similarities between themselves in cultural and economic prospects. These two countries are well known for this huge population among the countries which has caused a major problem called pollution in both these countries. This is one of the major threats in the current scenario for this nation. Whereas, China has adopted some economic policies to reduce pollution like eco-taxation, which is not implemented in India. As per the recent reports (2018) air pollution is 68.82% in India and 82.92% in China and water pollution is 59.8% in India and 56.42% in China. Drinking water pollution and Inaccessibility is 53.57% in India and 59.68% in China. Pure air quality is 31.11% in India and 17.08% in China. Pure drinking water and accessibility is 46.43% in India and 40.32% in China. Pure water quality is 29.87% in India and 31.91% in China. From the above report it is likely to know that both countries don't have healthy economic indicators in environmental protection. Air pollution is 1 of the bigger threat in both of these countries. Whereas, China's has got a larger pollution than India has it has got a larger section of society involved in production purposes than India. China due to its heavy population dependent on industrial sector it has not implemented a tough environmental policies to avoid air pollution. But this has caused many health related diseases and deaths in highly populated cities. China and India both are in the top 20 countries which are highly polluted countries. However, after implementation of eco-taxation the pollution level in China has reduced slightly which brings some hopes to India to implement this eco-taxation in India.

Tax rates in India and China

(Tax Rates in China, Hong Kong, India & Vietnam) In China Standard CIT rate is 25%, Standard VAT rate is 17% and Individual Income tax is 5-45%. In India Standard CIT is 40% Standard GST is 12% and individual income tax is 0-30%. Standard CIT and Standard VAT of China includes eco-taxation policies which makes VAT some more costly than India.

Similarities between India and Australia

India and Australia which are both Commonwealth countries have some similarities between them. It may be that in both of these countries there are some people that live in houses, apartments, and hotels but majority of the people live one of those home or shelters. Both these countries have a number of people living these slums. In both these countries there is a class of people living in poverty because they don't have any money. The skills they need to have to get better housing is the skills to be good workers as they will get good money from working. With the money from working they can buy a house and if they save their money they will start to grow out of poverty and they can better working. This point's show that both Indian and Australian living style is quite similar. But there is a major difference:-In India majority of the people get extremes to get clean water or even just water. But, in Australia majority of Aussies have easy access to clean, drinkable water.

Usage of ETR for optimum use of resources:-

The reason for this major change in Australia is the ETRs. The implementation of these reforms not only reduced the pollution but also made it a developed country. In early 1990s there was a great recession in Australia which reduced the GDP and other economic indicators. Eco-taxation was implemented in 1991 at the time of great recession. The GDP growth was in decreasing stage of -1.096%. The GDP growth rate at present in Australia is 0.3%. Economic Tax Reforms were also some of the major reforms which formed this change. There was 15.5 metric tons CO2 emissions produced during 1990 which is before implementation of eco taxation there were some increase of CO2 emissions even after implementing eco taxation i.e., 15.6 metric tons in 1995, 17.2 tons in 2005. But in late 2000s there was slight reduction in CO2 emissions as the eco taxation charges increased i.e., 16.9 tons in 2010, 16.5 tons in 2012, 16.3 tons in 2013. The quality of water in Australia in 1994 was 64% and the quality was increased to 70% in 2004. Australia gives much importance to its drinking water. Due to its water abstraction charge. This economic reform was a revolutionary as in 2018. All the citizens of India in Australia have been facilitated through healthy drinking water from this reform.

Similarities of China with India if Eco Taxation is implemented:

- Both are highly populated nations which stand in top 2 positions.
- Both countries are listed in top 20 positions of highly polluted countries.
- As both countries have same style of lifestyle and culture. And both countries have same number of poor percentage people. The effects of implementation of eco-taxation in India will be same as India.

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Demerits of eco-taxation

Uncertain environmental impact:-The environmental taxes have got an incentive effect, but they do no guarantee the level of contamination, as against the direct regulation. It was highlighted in the part about of the cost-limitation effect, that there is a type of cost, where the affected parties undertake the pollution, so in a case, where the punctual performance of the environmental aim and the compliance of the pollution's level are important, may not be sure, that the taxes have got the sufficient effectiveness.

Decision-making structure:- The effective application of the taxes is influenced by the decision-making structure, the restructuring costs. This problem is not arisen for small enterprises, but for the bigger ones the harmonisation of paying environmental taxes, choosing the proper technology to reduce the pollution and cost analysis means a big problem. The transformation of the decision-making structure and the

enterprises means significant costs, therefore if the environmental tax rates are low, this does not induce reorganization processes for the enterprises. It follows there from that the enterprises rather pay environmental taxes than reduce pollution.

Lack of experience:- The lack of experience means a significant barrier in the field of the application of environmental taxes. It is evident that there are fields of the application, where the lack of experience exists, but if the application of direct instruments is disadvantaged, the environmental taxes are applied. It can be generally stated, that the OECD countries and the EU have got enough experience about the application of environmental taxes.

Administrative and enforcement costs:- The application of direct instruments and environmental taxes also require regulatory, administrative and enforcement mechanisms. In case of taxes on emission the punctual definition of emission rates, the control of production data also makes it difficult to define and collect the tax. However the environmentally harmful effect is less documented (e.g. logging, water pollution) so illegal activities can be realized. It is highly reasonable to maintain the expensive enforcement mechanism for controlling these activities.

Differences between emission sources:-The changes of the damages caused by pollution depend on the emission sources, but generally a unified emission tax is applied for different emission sources. The unified emission tax is not as efficient as the source based tax assessment. The same tax regulation does not have to be applied for all of the emission sources; however with differing between the sources the polluter's lobbying activity can impact environmental policy. So in many cases the less efficient unified taxes are applied.

Activities to avoid pollution: - Environmental taxes may have environmental damaging impacts, which can be more serious than not having any regulation at all. Taxes on waste materials can incite reducing waste, but it can also induce illegal placement and waste incineration. In this case the social cost of subsequent disposal and environmental degradation is bigger than the cost and impact of pollution. Political considerations: - Environmental taxes are not always accepted politically. The environmental impacts, such as pollution control is politically accepted, but the polluters reject the taxes in many cases and prefer to the application of other instruments on them, which way polluters can influence political positions.

5. Conclusion

India known for its huge pollution is better to implement eco-taxation even though it has many demerits. From the above cases of China and Australia it is known how eco-taxation improves environment and improves GDP even it faces implementation in the starting process. Therefore, India should implement eco taxation.

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