

Environmental taxation across federal levels in Austria

Theory of fiscal federalism and empirical results

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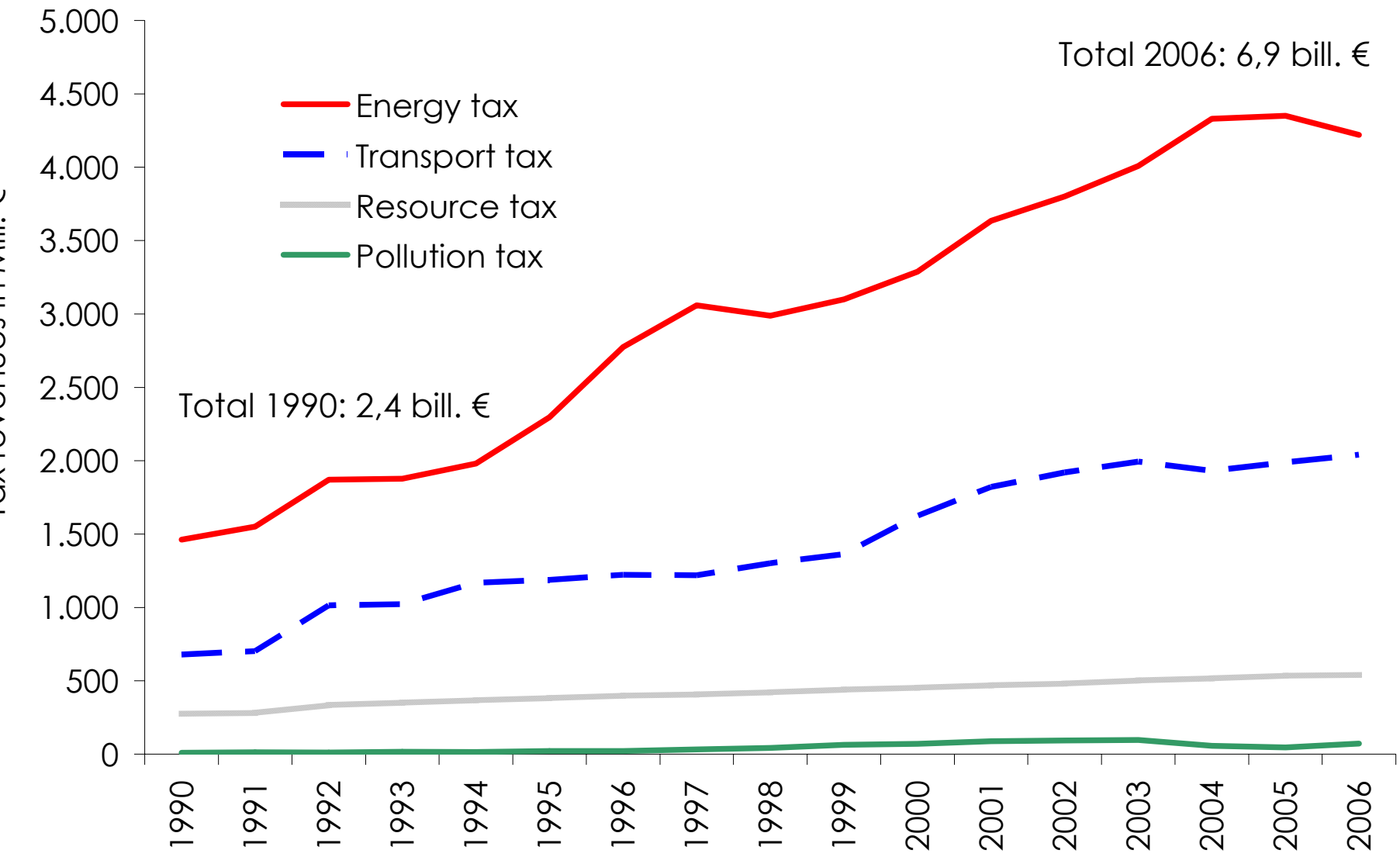
Margit Schratzenstaller

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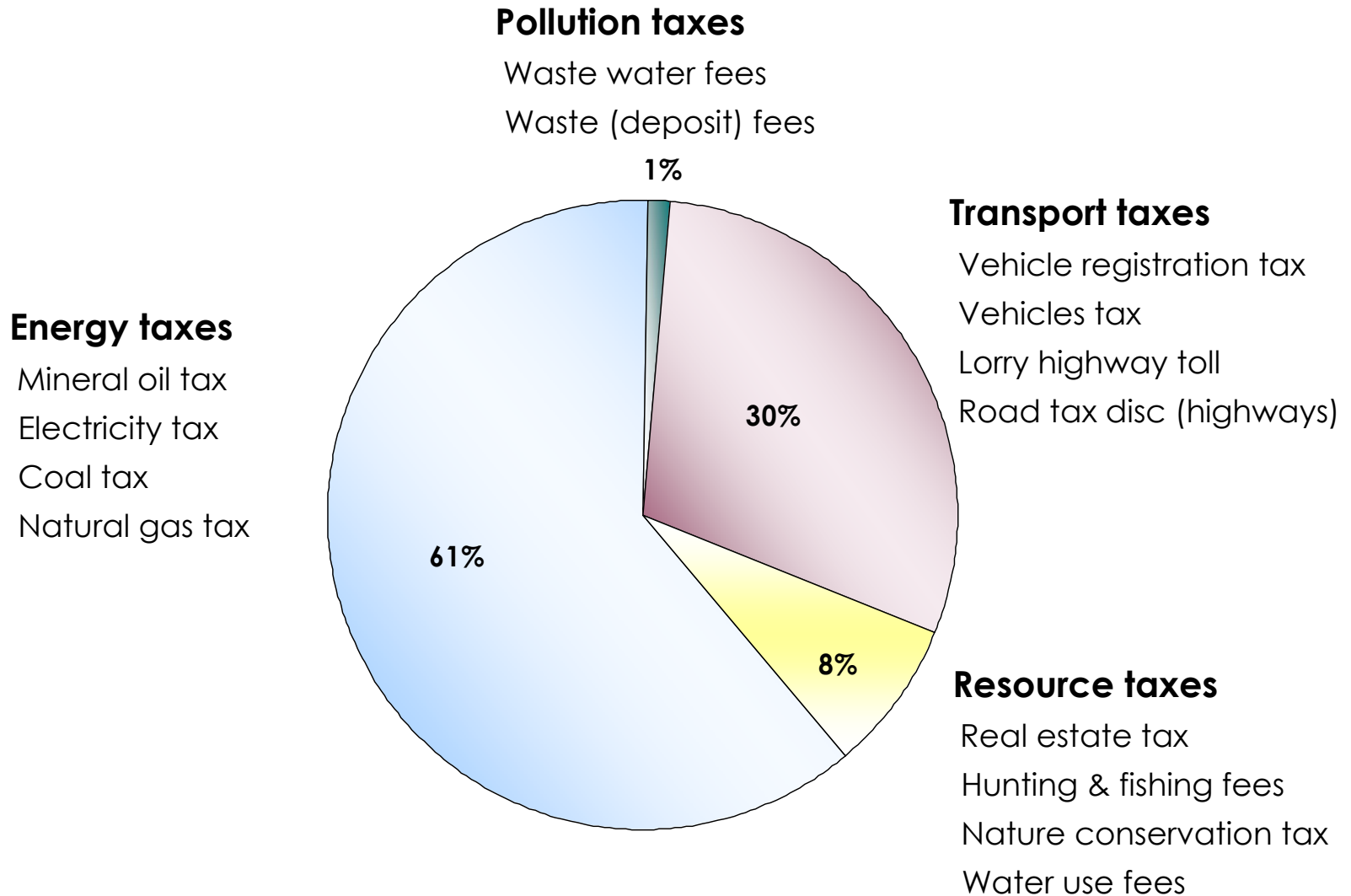
- EU/OECD classification – environmental relevance of the tax base (energy, transport, pollution, resource taxes)
- One major market based instrument of environmental policy
- Multiple targets – internalisation of negative externalities (behavioural changes), economic efficiency, revenue raising
- Increasing significance in the tax systems of EU member states

Development of environmental taxes in Austria

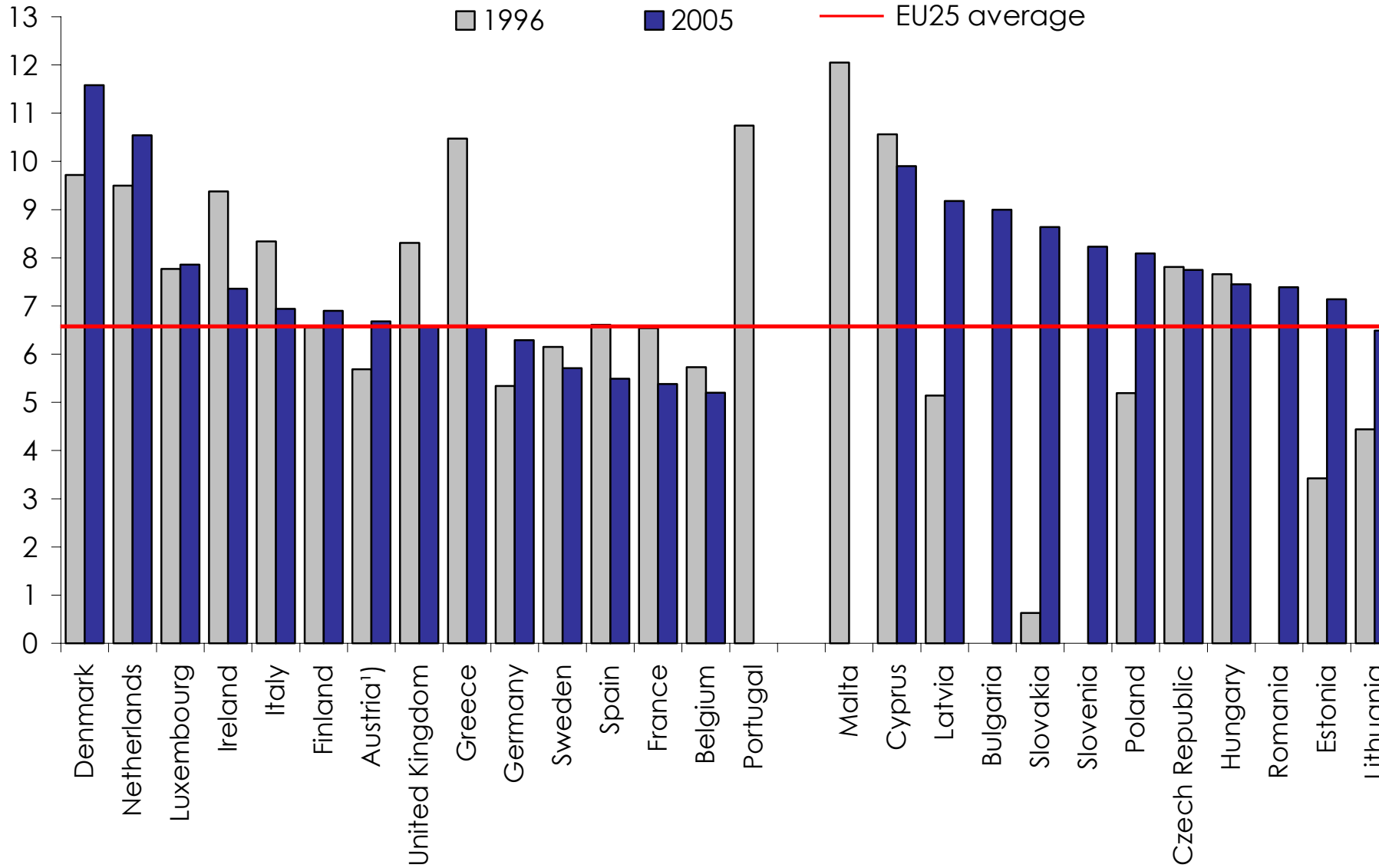


Total 1990: 2,4 bill. €

Total 2006: 6,9 bill. €



Share of environmental taxes in total tax revenues in the EU



- “Rational” allocation of public tasks and responsibilities across levels of government
- Intra-governmental division of labour regarding tasks/expenditures and competences/revenues
- Environmental federalism deals with the allocation of duties w.r.t. environmental policy
- Criteria for the efficient allocation of taxation rights in order to cope with environmental problems

1) Spatial range

the farther the negative externality extends, the higher degree of centralisation (e.g. local: noise, national: fossil energy use)

2) Merit component

the central level of government has a superior interest in a higher environmental quality/tax rate than the lower level(s) (e.g. CO₂)

3) Local rootage

the closer the link between the tax base and the taxing authority the lower the degree of centralisation (e.g. land use, waste)

4) Mobility of the tax base


the higher the mobility, the higher the degree of centralisation to avoid tax competition and suboptimal tax levels (e.g. transport fuels)

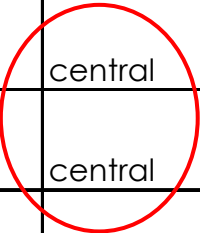
5) Revenue elasticity

the higher the reliability of the tax as a stable source of revenue, the lower the degree of centralisation (e.g. water or road use)

➔ According to these criteria taxes on pollution and resource use should be levied locally, taxes on energy use centrally and taxes on transport at the intermediate level.

- Environmental tax bases were rated according to the five criteria with ranks from 1 (local) to 4 (central)
- The sum of ranks suggests to which governmental level the tax should be assigned
- This result following from the theoretical suggestions was then compared to the current allocation of taxation rights in Austria

	Tax base	Spatial range	Merit component	Local rootage	Mobility of tax base	Revenue elasticity	Σ of ranks	Government level
decentral 								
	Waste	1	2	1	1	1	6	local
	Water use	2	2	1	1	1	7	local
	Land use	2	3,5	1	1	1	8,5	local/ regional
	Waste water	3	3	1	1	1	9	local
	Use of natural resources	2	3	2	1	2	10	regional
	Car registration & ownership	4	3	1	2	1	11	central
	Road use	4	3	1	3	1	12	central
	Fuel use	4	4	3	4	1	16	central
	Electricity use	4	4	4	4	1	17	central
central								



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- The actual allocation of environmental taxation rights and tax revenues to federal levels in Austria is largely consistent with theoretical recommendations.
 - For transport related taxes there could be scope for reform – levying on the regional level:
 - generating revenues (currently no significant own taxes)
 - possibility to react to local/regional externalities (noise, congestion, PM-emissions)
 - But: centrally determined framework for tax bases and minimum tax rates to avoid tax competition