

# Pay Taxes in a Better Way

A modern society needs tax revenue from its citizens to be able to create and maintain a welfare system such as the one in Denmark. The necessary taxes can be levied in a better way than what is currently practice.

If the tax revenues from the green duties increase and the remaining taxes are proportionally decreased, the result would be to great environmental advantage

This type of green tax re-adjustment will not burden the lowest income groups, and it can also enhance the possibility of increased employment and export.



# Raise Taxes on Resource Consumption and Pollution - and Lower other Taxes

A reform has been heralded by the Danish government that will implement tax relief in the income tax of 2004. This is a good opportunity to proceed with a green tax reform in which a larger part of the taxes is placed on pollution and waste instead of income. This will not contradict the government's own tax freeze as it stated in its platform from November 2001: »This tax freeze does not, however, mean that we will not perform a necessary restructuring of our tax system.... We will apply this same principle if it becomes desirable, for environmental reasons, to introduce a new environmental tax or raise an existing one.«

## A green tax reform is important because:

- ▶ When wasteful and polluting behavior is taxed at a relatively higher rate, the market and citizen's behaviour changes in a more sustainable direction and provides a direct advantage for the environment as a result of the collective effort.
- ▶ When a state taxes employment income there results a reduction in the incentive to work.



**'We should increase the taxes on behaviour that we for environmental reasons wish to discourage - and lower taxes on the behaviour we want to promote'**



# Implement an Environmental Tax Reform

The Danish Ecological Council is of the opinion that we can move advantageously a large part of income taxes, in particular, to green taxes on polluting and wasteful behaviour before 2010. A tax reform of this type will not change the amount of revenue collected. In fact, public authorities will not acquire more taxes but receive them on a different basis. Naturally, consumers will pay more for energy produced from coal, oil or gas, for petrol or diesel, for processing garbage, etc. On the other hand, they will pay less of their salaries in income tax.

## **No social imbalances**

Such a tax reform can be implemented without further stressing low-income groups or young parents and families. The tax reduction can be arranged so that low-income groups benefit the most and families with children can be secured by an increase in the family allowance. Similarly, adjustments can be made in the unemployment allowances.

## **The industry's competitiveness is not compromised**

Similarly, the tax reform can be implemented without compromising the international competitiveness of the industry. This is facilitated if the most prominent of Denmark's trading partners also introduce similar tax reforms. Other EU countries are already working on green tax reforms, and it is important that Denmark plays an active role in EU for the introduction of common green minimum tax levels. Even without the co-operation of our trading partners, there are still sufficient possibilities to implement moderate reforms in Denmark.

## **More employment and increased export**

Many studies show that a green tax reform will create new jobs and greater export because the global market increasingly seeks energy effective and environmentally optimal products. A green tax reform will encourage Danish companies to develop and market these products in particular as they will be relatively less expensive than conventional products of the same type.



# Adopt a Sustainable Lifestyle and Save Taxes

The changes resulting from a green tax revision will be threefold: income taxes are reduced, environmentally friendly goods are cheaper and those which are detrimental become directly more expensive.

Appliances that use less energy will fall in price whereas the cost of those that are more energy consuming will increase. Vehicles that have high mileage per litre, or those that do not use petrol or diesel, will cost less than vehicles with high fuel consumption.

On the whole, Danes will not pay more in tax. But there will be some shifts that will be an advantage to the environment, the environmentally conscious companies and the environmentally conscious citizen.

- ▶ Under the doctrine of »The Polluter Pays,« citizens who act environmentally more responsibly will pay less tax whilst those who do not consider the good of the environment in their lifestyles and habits will pay more. In this way each person has an influence on the amount of taxes he or she contributes.
- ▶ Companies that develop and produce the most energy conserving and environmentally friendly products will obtain economic advantages.

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