

Tax as a force for good

REBALANCING OUR TAX SYSTEMS TO SUPPORT
A CIRCULAR AND INCLUSIVE ECONOMY

The Ex'tax Project
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The Taxshift



Tax on resource use up




Tax on labour down

UN Secretary-General António Guterres:

“Tax pollution, not people”

Taxes on labour incentivize business to
minimize (formal) employment
shift to mass production
lower service levels
outsource

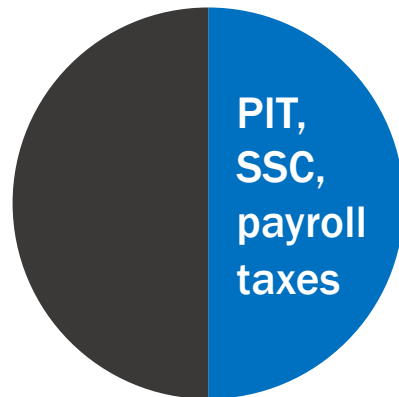


A high-angle photograph of a busy shipping container yard. The foreground and middle ground are filled with numerous stacked shipping containers in various colors, including blue, red, white, and orange. Several large yellow gantry cranes are visible, with one prominently labeled 'TT222 PSA' and another 'PSA 91'. The background shows more containers and industrial structures under a clear sky.

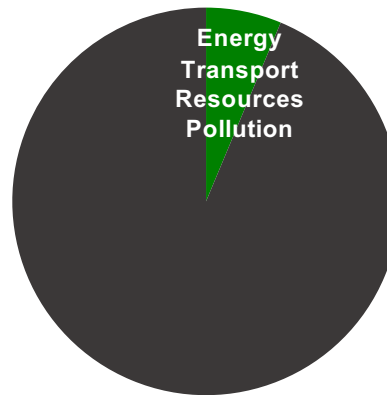
Low or no natural resource taxes:
use resources unrestrained

EU27: €5.6 trillion in tax revenues (2019)

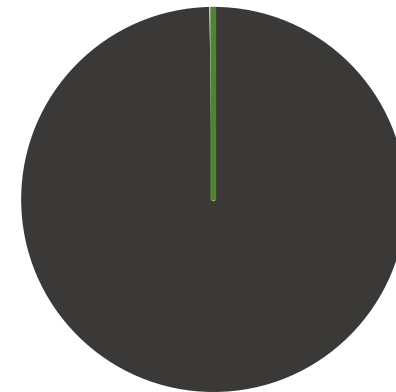
Labour taxes
52%



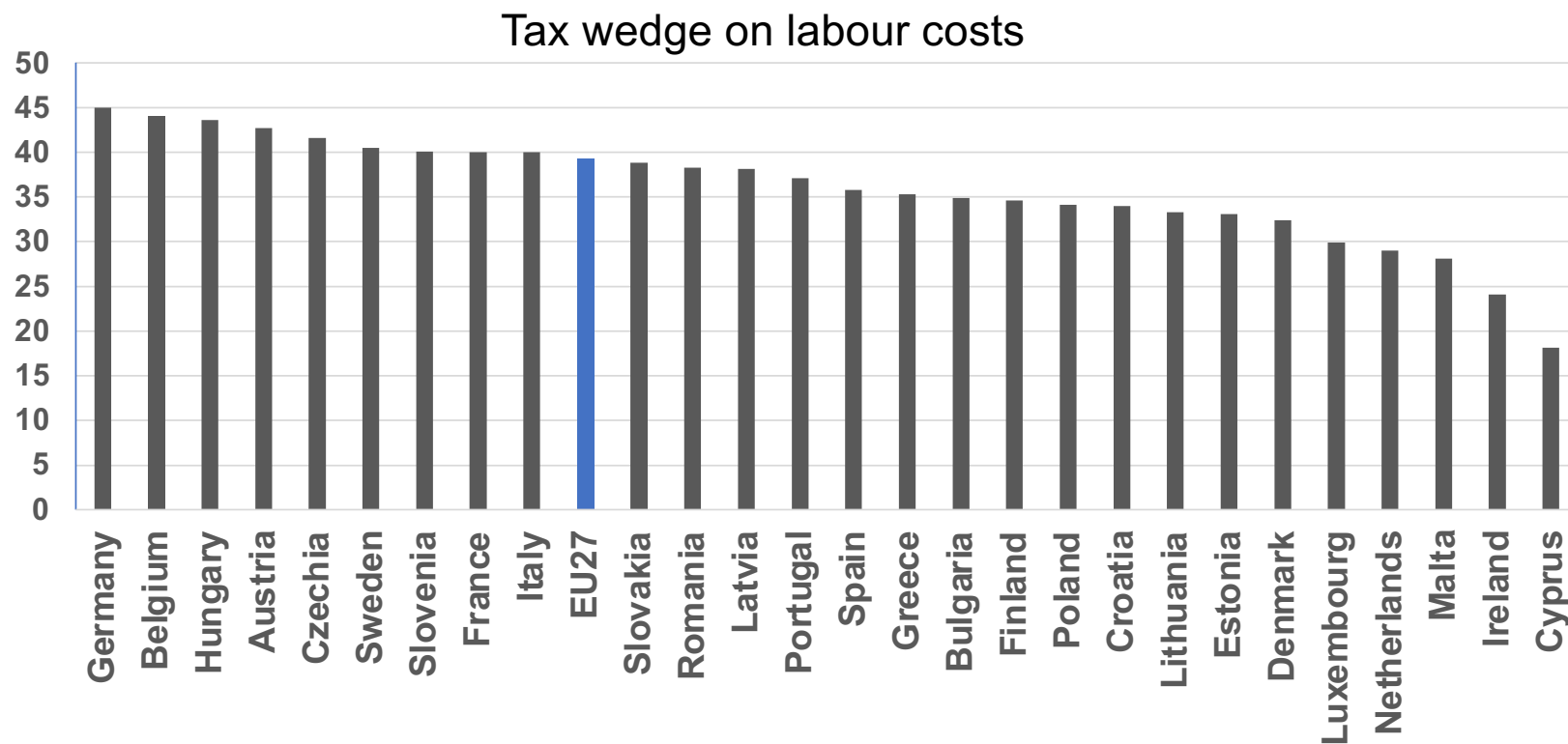
Green taxes
6%



Pollution & resources
0.2%



For every euro in labour costs, €0.39 is taken by treasury



Tax wedge 2020 in % of labour cost. Eurostat (Accessed April 7, 2021), Tax rate on low wage earners: Tax wedge on labour costs.
<https://ec.europa.eu/eurostat/databrowser/bookmark/1a5678f7-e43c-47ce-87e9-cb2e417d4e7a?lang=en>

The Treaty on European Union (1992):

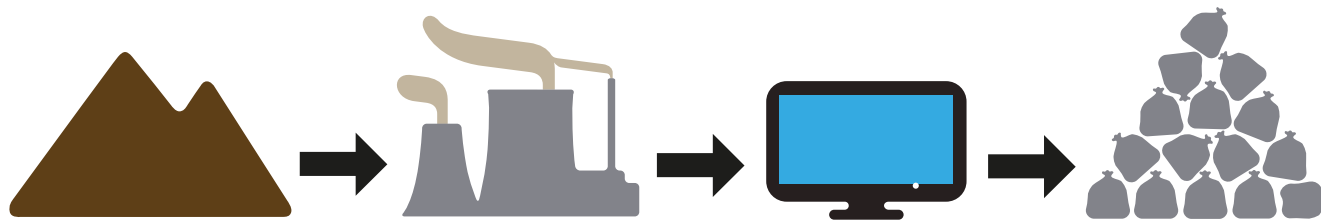
“the polluter should pay”

Fossil fuels subsidies EU27: €50 billion per year

70% provided through tax expenditures

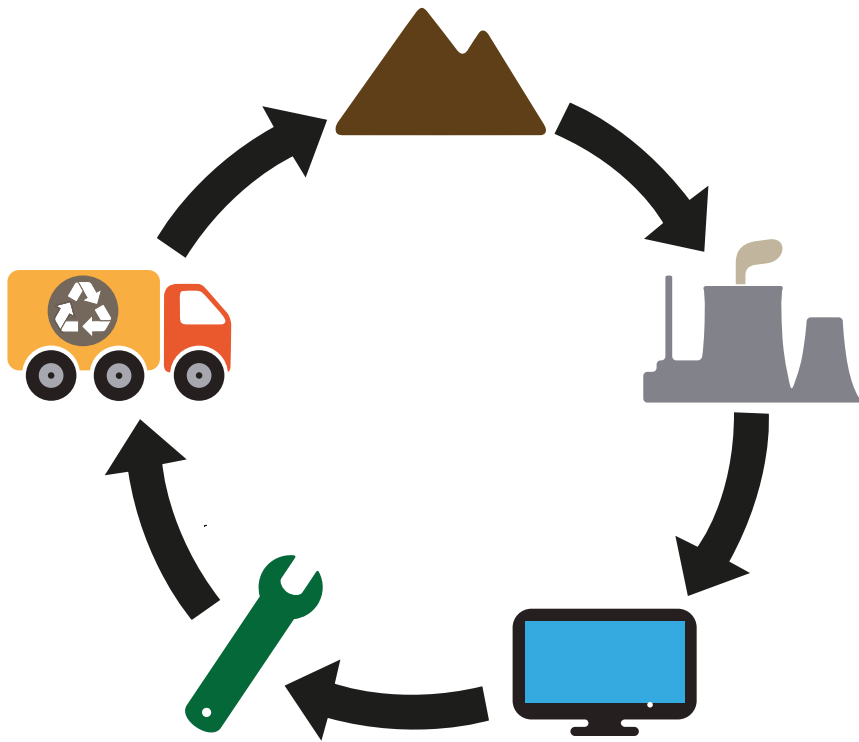
**Since signing
the Paris Agreement in 2015
G20 governments provided
\$3.3 trillion of direct support
for fossil fuels**

Financial incentives aligned with the linear economy



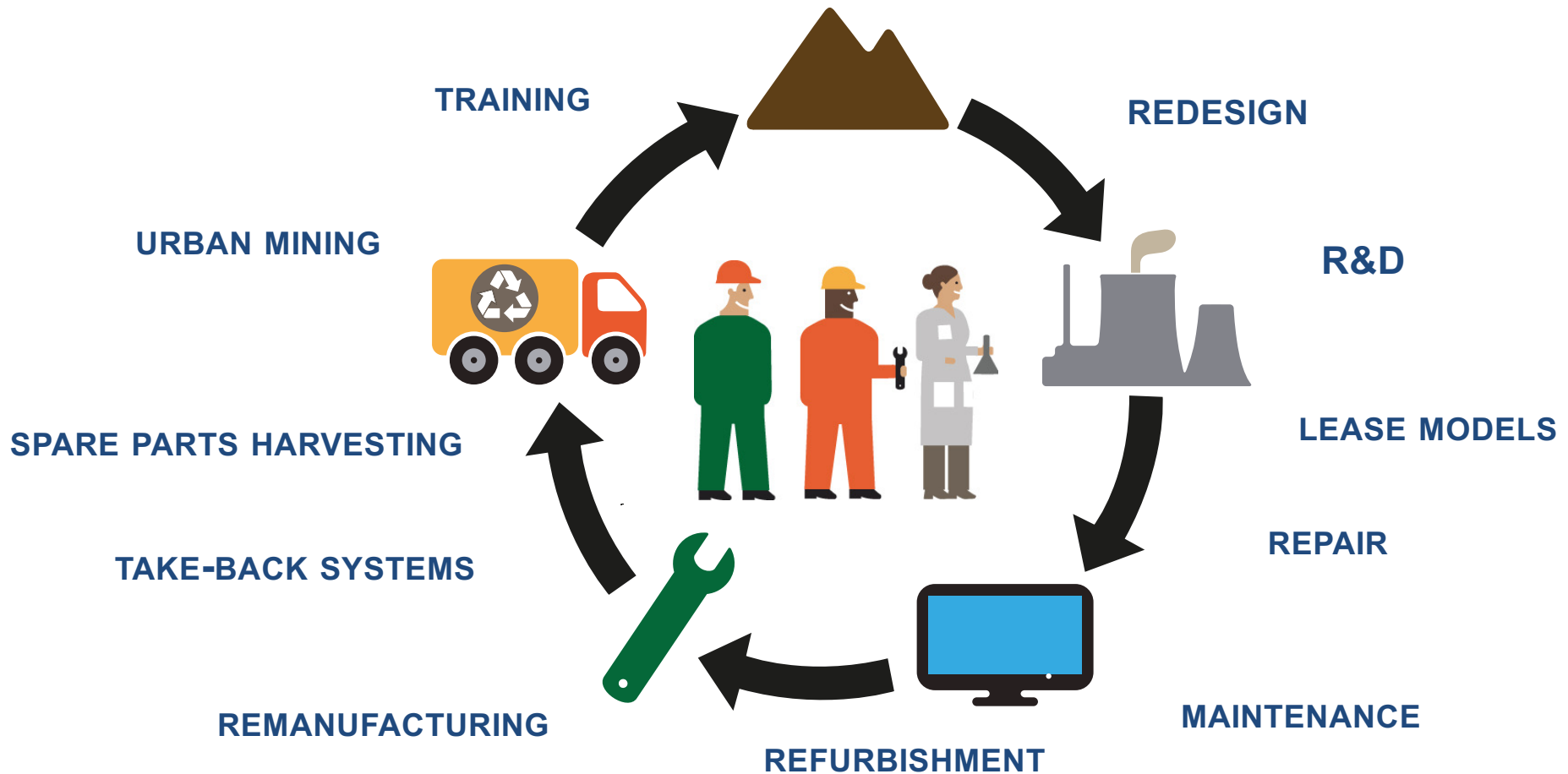
- Take-make-waste
- Minimizing human input
- Externalizing costs

Circular economy



- Closed loops
- Regenerative
- No externalities
- Climate-positive

Labour-intensive business models

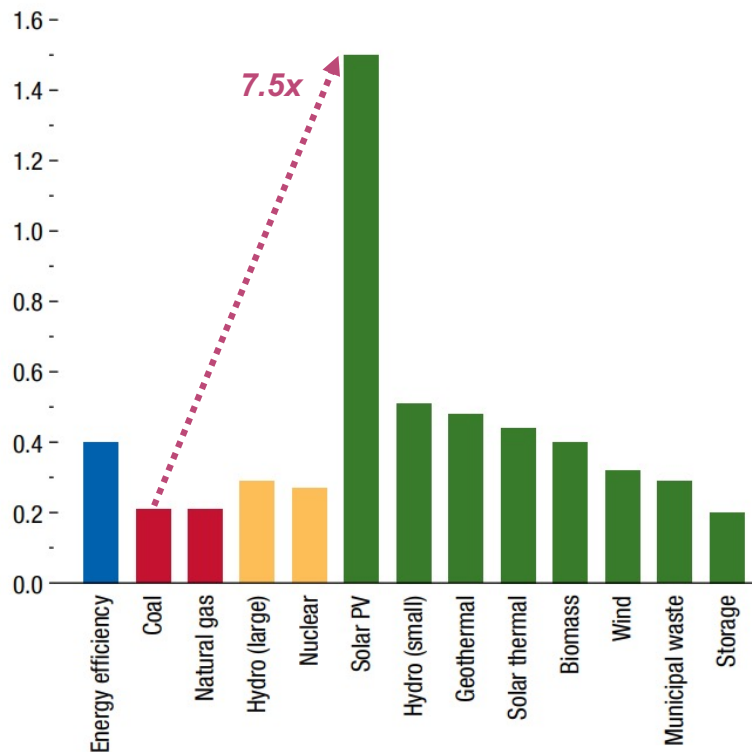


IMF: Clean energy is job-intensive

Figure 3.8. Job Multipliers

(Job-years per gigawatt hour; levelized over lifetime of utility)

Renewable-based electricity generation and energy-efficiency-enhancing investment are more job-intensive than the generation of electricity from fossil fuels.



Sources: Wei, Patadia, and Kammen 2010; and IMF staff calculations.

Note: Each bar shows the total number of job-years generated per gigawatt hour of capacity. This includes both direct and indirect jobs, and barring energy efficiency, excludes induced job effects (for example, induced by changing relative prices). The jobs created, both in the initial phase of asset creation and in the subsequent operation and maintenance of new capacities, are averaged (levelized) over a typical lifespan of a utility. PV = photovoltaic.



**34.8 million people
in need of (more)
employment
in EU27**



Q1 2021 Eurostat (Accessed September 2, 2021), Labour market slack - unmet need for employment - quarterly statistics.
https://ec.europa.eu/eurostat/databrowser/view/LFSI_SLA_Q__custom_1258028/default/table?lang=en

**Our tax systems are a barrier to
the circular economy.**

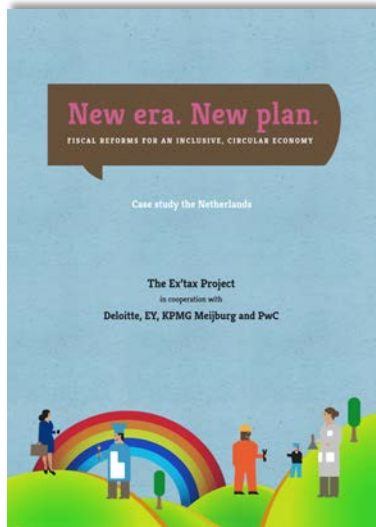
European Commission (1993):

“The tax burden must be redistributed so as to lighten the burden on labour and increase the burden on the use of natural resources.”

European Commission (2019):

***“the European Green Deal will create the context
for broad-based tax reforms,
removing subsidies for fossil fuels,
shifting the tax burden from labour to pollution,
and taking into account social considerations.”***

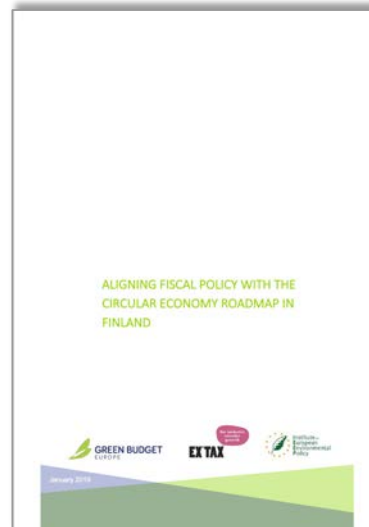
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Netherlands
(2014)



EU27
(2016)



Finland
(2018)



Global
(2018)



Bangladesh
(2019)

Impacts of a taxshift in EU27 (in Dutch)

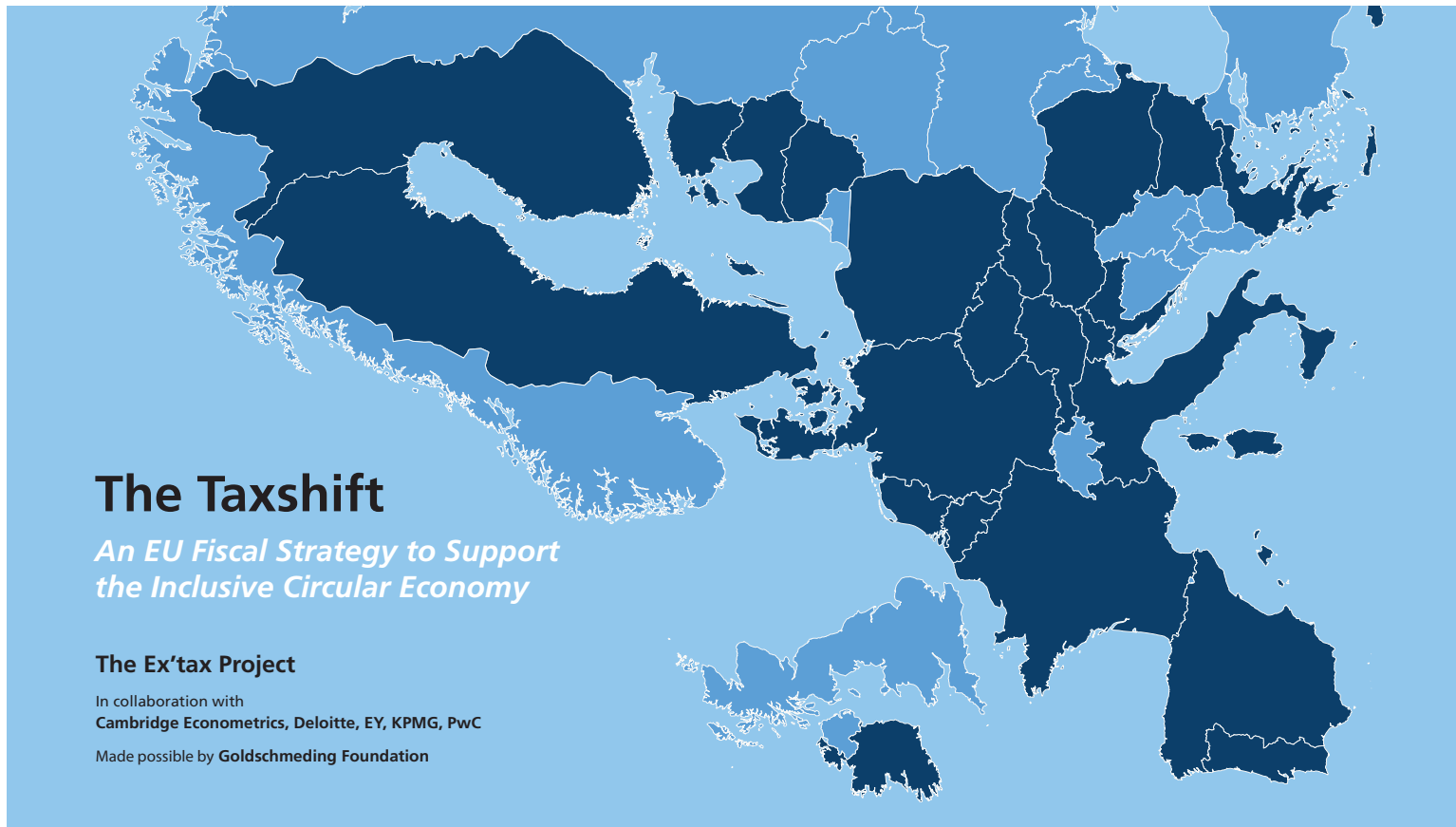


www.ex-tax.com/deltaplan



Upcoming English edition

(Preview, to be published Q4)



Ex'tax Toolkit



Raising revenues:
pollution & resource use

Air pollution		Fossil fuels		VAT		Waste	
Carbon (CO2)	Particulate Matter (PM)	Jet fuel	Marine fuel	Reduced rate	Standard rate	Landfill	Incineration
Sulfur dioxide (SO2)	Nitrogen oxides (NOx)	Fossil fuels: non-energy use	Coal	Zero rate	Consumer goods	Electronic waste	Nuclear waste
Ammonia (NH3)	F-gases (HFC, PFC, SF6)	Diesel	Crude oil	Food products	Energy products	Construction waste	Packaging
Heavy metals	Volatile Organic Compounds	Natural gas (Methane)	Gasoline	Plane tickets	Products with scarce materials	Food waste	Sewage
Laughing gas (N2O)	Methane (CH4)	Peat	LPG (Propane)	Horticultural products	Other products	Mining waste	Toxic waste
Traffic & transport		Water		Various		Energy	
Road traffic (kilometers)	Road transport	Tap water	Groundwater	Tobacco products	Microplastics	Electricity	Biofuels
Congestion	Vehicle registration	Surface water	Waste water	Plastic nanoparticles	Other plastics	Hydropower	Renewables
Vehicle ownership	Plane tickets	Phosphorus	Other water pollution	Firewood	Land use	Energy tax (various sources)	Heat waste
Inland shipping	Maritime transport	Bottled water		Helium	Toxic chemicals	Biomass	Waste incineration
Aviation	Air Freight			Noise	Lubricating oil	Flaring	Nuclear energy
Food production		Metals/minerals		Building materials		Ecosystem services	
Fertilizer	Pesticides	Mining	Metals	Cement	Crushed rock	Carbon sequestration	Biodiversity
Fish	Meat	Minerals	Phosphate	Steel	PVC	Hydrological services	Pollination
Manure	Palm oil	Selenium	Uranium	Clay	Sand	Fertile soil	Prevention of erosion
Growth hormone	Antibiotics	Platinum Group Metals	Zinc	Gravel	Wood	Flood control	Recreational value
Livestock	Soy	Rare Earth Metals	Salt	Glass	Asbestos	Medical value	Water & air purification

Tax base option	Included in scenario
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Ex'tax Toolkit



Using revenues
for social impact

Investments	
R&D	Infrastructure
Public transport	Renewable energy subsidies
Climate adaptation	Public housing
Energy efficiency	Zero-carbon vehicle subsidies

Corporate income tax	
Payroll tax credit	Rates
Exemptions	Allowances
Deductions	Depreciation of green investments
Circular innovation credit	

Environmental	
Biodiversity protection	Sustainable agriculture
Forest maintenance	Carbon sequestration
Water management	Ocean plastics
Waste management	

Personal income tax	
Tax-free allowance	Negative PIT
Rates	Deductions
Exemptions	

Health care & education	
Retraining & vocational training	Primary education
Secondary education	Post-secondary education
Primary care	Secondary care
Tertiary care	Quaternary care

VAT	
Services	Product groups
Products	Rights to deduct VAT

Social security contributions	
SSC-free allowance	Employer SSC
Employee SSC	Non-employed SSC
Self-employed SSC	Health insurance
Unemployment insurance	Invalidity insurance

Direct social assistance	
Means-tested benefits	Non-contributory benefits
Child/family benefits	Disability benefits
Cash transfers	In-kind transfers

Other	
Day care	Pension schemes
Employment schemes	Travel expense schemes
Deficit reduction	Debt reduction
Secondary empl. benefits	

Tax base option	Included in scenario
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EU27 taxshift scenario

(In 2025, difference to baseline)



Labour

- € 526 billion

Households (60%)	Reduction in Personal Income Tax (PIT) and Social Contributions	-214
	Income support lowest two income quintiles (negative income tax)	-101
Employers (40%)	Payroll Tax Credit (PTC) for new employment	-105
	PTC generic	-42
	PTC for reskilling	-32
	PTC for circular innovation	-21
	PTC Corporate Income Tax (CIT)	-11



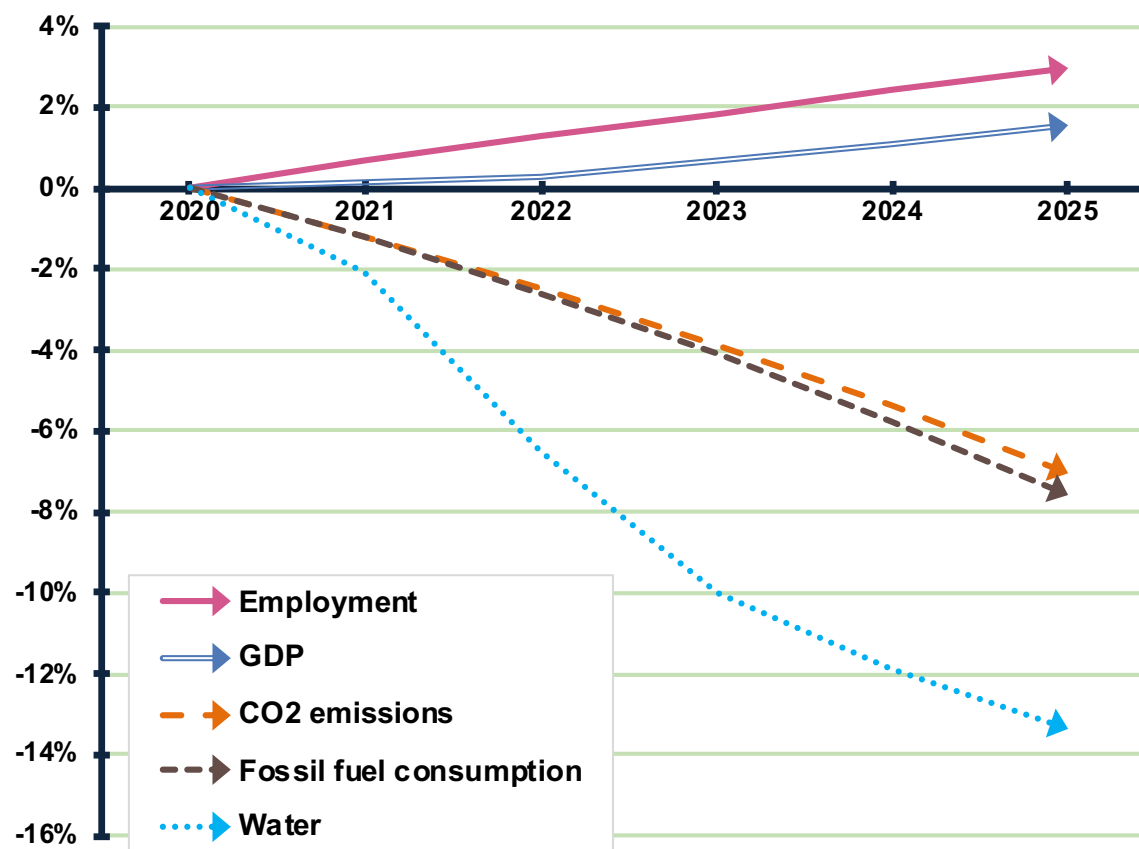
Resource use, pollution, consumption

€ 526 billion

Traffic	Kilometre charge	180
Shipping	Marine transport tax	35
Aviation	Aviation tax	29
Emissions	Industrial air pollution tax	55
	Ammonia tax (agriculture)	44
	Carbon tax (non-ETS sectors)	28
	Carbon price floor (ETS sectors)	15
Use of resources	Water tax	11
	Feedstock tax (non-energy use of fossil fuels)	6
	Waste incineration and landfill tax	3
VAT	VAT increase (reduced rate)	63
	VAT increase (standard rate)	47
Excise duties	Tobacco tax	10

Modelling results EU27

(2021-2025, difference to baseline, E3ME)



Employment
+ 6 million (in 2025)

GDP
+ € 542 billion*

Higher output in all sectors
except agriculture (-0.6%),
energy & utilities (-0.3%)

**(a.o.) savings on
EU energy import bill**
- € 30 billion*

* Cumulative results 2021-2025. www.ex-tax.com/deltaplan

Progressive impact

- Lowest two income quintiles increase their income by **4%** more than in the baseline in 2025.
- Highest income quintiles increase their income by **1%**.

The modelling results suggest that a progressive impact with higher benefits (in relative terms) for lower income households is possible.

**Taxshift:
critical strategy for
green & inclusive recovery**

Main barriers

- Lack of urgency
- Vested interests
- Short-termism
- Regional, national, EU competency
- Unanimity.

Step by step

MS

- Implement 'low hanging fruit' policy options
- Solve social issues
- Create coalitions
- Exchange experiences.

EU27

- Share data/knowledge
- Set minimum rates
- Address labour tax competition
- Create recommendations as to how to shift the tax burden
- Create coherent set of (country-specific) tax mix targets.


Involve business community

Business input requested

*4-minute
survey*

Please share the Circular Tax Survey:

<https://www.surveymonkey.com/r/CircularTax>



**Now is the time
for collaboration
towards implementation.**

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