

## Green Tax in India

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### *Abstract*

*Tax imposed on the public has two reasons, one is to generate revenue for the Govt. and another is redistribution of income but sometimes the reason may be different like green tax is imposed by the Govt. to control the pollution level. On one hand green tax create the revenue for the Govt. which can be used to control pollution and another is to increase the cost of consumption of such products which damage the environment so that the consumption level of such a products can be reduced. Few states in India have imposed such a tax particularly on the vehicles. But still there is an urgent need to make a uniform policy at India level to formulate the green tax to save the fast depleting environment. The paper has been aimed to create awareness for green tax mechanism.*

**Key Words:** *Green tax, Pollution, Environment, Standard, Protection, Community*

### **INTRODUCTION**

Green tax (or environmental tax) is taxes imposed on environmental pollutants or on goods whose repeated use contributes to pollution. It is a novel idea to enforce or introduce taxes on substances, which pollute the environment, the ultimate aim being the substantial reduction of pollution. In a country like India, green taxes shall have a deterrent effect, sensitizing the denizens about pollution control and management.

### **HISTORY OF ENVIRONMENTAL TAXATION**

In 1920, A.C. Pigou quietly launched the effort to use tax systems to address environmental problems with his statement that it is possible for the State, if it so chooses, to remove the divergence in any field restraints' upon investments in that field. Arthur Pigou recommended imposing taxes on polluters to force them to internalize such

costs. A “Pigovian” tax would increase the cost of driving, and thereby reduce the amount of driving done to the optimal level: where marginal cost equals marginal benefit. A Pigovian gas tax thus has the potential to improve societal welfare.

It seems that Pigovian fuel taxation would prove the best method of promoting economic efficiency. Although Pigovian environmental taxes are generally criticized for providing only a "second-best" solution to environmental externalities, it appears that Pigovian gasoline taxation would provide close to a “first best” solution to the economic, national security, and climate change externalities. Taxes that increase the cost of environmentally damaging activities can serve as “extraordinary restraints” that bring the external environmental costs back into the private sector’s calculations. They can also reflect the polluter-pays principle and the concept of least-cost abatement that evolved later in the 20th century. The increasing use of environmental taxes, emissions trading and other economic instruments has been partly driven by recognition of the limitations of conventional environmental regulation. To make any serious impact on some of the major environmental problems now facing policy-makers- acid rain, global warming, and traffic congestion –environmental policy cannot be approached purely as a technical issue, to be resolved merely by requiring the use of specified abatement technologies and setting emissions limits on large firms.

### **GREEN TAXES IN THE UNITED STATES OF AMERICA**

The United States imposes virtually no green taxes. Most programs to reduce pollution rely on mandatory standards such as the Clean Air Act's New Source Performance Standards (NSPS) for stationary polluters and the Corporate Average Fuel Economy (CAFE) standards for automobiles.

Among the few green taxes imposed in the United States at the federal level are the “gas guzzler” tax on new cars that exceed fuel efficiency standards, a tax on ozone depleting substances, and miscellaneous taxes on fertilizers and pesticides used in agriculture.

### **GREEN TAX IN THE EUROPEAN COMMUNITY**

Many European countries have used pollution taxes more than the United States, imposing taxes on emissions of common air pollutants such as sulfur dioxide and nitrogen oxides. The European Union has also instituted a “cap-and-trade” system to limit carbon dioxide emissions as a way of meeting targets for limiting greenhouse gas emissions agreed to in the Kyoto Protocol. The European Commission defines an environmental tax broadly as “a tax whose base is a physical unit (or a proxy of it) of something that has a proven, specific negative impact on the environment.” This definition includes taxes that were not enacted with environmental goals in mind. In fact, according to Eurostat, most of these taxes are on energy (76 percent of all environmental tax revenue) and transportation (21 percent). Environment Tax Reforms (ETRs) were undertaken at the European level in the European Community funded project COMETR in 2007. The main focus of the project was to assess the competitiveness effects of ETRs. The outcome of the project was fruitful as it showed that ETRs reduced GHG emissions in the EU countries which implemented them.

### **GREEN TAXES IN INDIA**

S. 3-A of the Tamil Nadu Motor Vehicles Taxation Act, 1974 requires motor vehicles operators to pay an additional tax known as green tax in addition to tax otherwise payable under the Act.

In Maharashtra the state cabinet approved the transport department’s proposal of levying green tax on ‘old’ vehicles. Public and private vehicles, which are eight and 15 years old, respectively will have to pay green tax between Rs 200-400 every year. The tax on 15-year-old two-wheelers and cars that run on petrol would be Rs 2,000 and Rs 3, 000 for five years, respectively. The five-year tax on diesel cars would be Rs3,500. The government expects to earn Rs 125 crore annually through green tax. The transport department wants the amount to be used for the betterment of the environment, strengthening of public transport offices and the setting up of air monitoring units. The Supreme Court had directed governments to make vehicle owners take precautions or pay for the pollution caused because of their cars. Vehicles manufactured before 1995 are not fit to fulfill the criterion of Bharat IV (Bharat Stage IV emission norms are emissions

standards that focus on regulating pollutants released by automobiles and other powered vehicles.

Similarly, Himachal Pradesh will impose a voluntary 'green tax' on vehicle users in an initiative that its chief minister says is India's first to generate a fund for combating climatic changes. The tax became a reality with cabinet ministers contribute Rs.100 per month towards creating the corpus. The environment fund will be utilized for protecting nature from certain death and making the state a carbon-neutral state.

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