

Design, Implementation & Impact of Carbon Tax

DDTC Fiscal Research & Advisory

Carbon Tax Design





www.oecd.org

Environmental Taxation

A Guide for Policy Makers

This guide is based on the OECD's recently issued book Taxation, Innovation and the Environment.

Environmental challenges are increasing the pressure on governments to find ways to reduce environmental damage while minimising harm to economic growth. Governments have a range of tools at their disposal, including regulations, information programmes, innovation policies, environmental subsidies and environmental taxes. Taxes in particular are a key part of this toolkit,

Environmental taxes have many important advantages, such as environmental effectiveness, economic efficiency, the ability to raise public revenue, and transparency. Also, environmental taxes have been successfully used to address a wide range of issues including waste disposal, water pollution and air emissions. Regardless of the policy area, the design of environmental taxes and political economy considerations in their implementation are crucial determinants of their overall success.

This policy guide has a few key messages:

Why use environmental taxes?

- Taxes can directly address the failure of markets to take environmental impacts into account by incorporating these impacts into prices.
- determine how best to reduce their environmental "footprint"
- Environmental pricing through taxation leaves consumers and businesses the flexibility to This enables lowest-cost solutions, provides an incentive for innovation and minimises the need for government to attempt to "pick winners".

How to design environmental taxes?

- Environmental tax bases should be targeted to the pollutant or polluting behaviour, with few (if The scope of an environmental tax should ideally be as broad as the scope of the environmental
- The tax rate should be commensurate with the environmental damage.
- The tax must be credible and its rate predictable in order to motivate environmental
- Environmental tax revenues can assist fiscal consolidation or help to reduce other taxes
- Distributional impacts can, and generally should, be addressed through other policy instruments.
- Competitiveness concerns need to be carefully assessed; coordination and transitional relief can
- Clear communication is critical to public acceptance of environmental taxation.
- Environmental taxes may need to be combined with other policy instruments to address certain

The rest of this guide develops these points in greater detail.

September 2011



Polluters Pays Principle



The scope which is in line with environment concern



Tax rate that represents the problem and environmental issue



Should have certainty and predictable that motivates change of behavior



Redistribution of taxation revenue

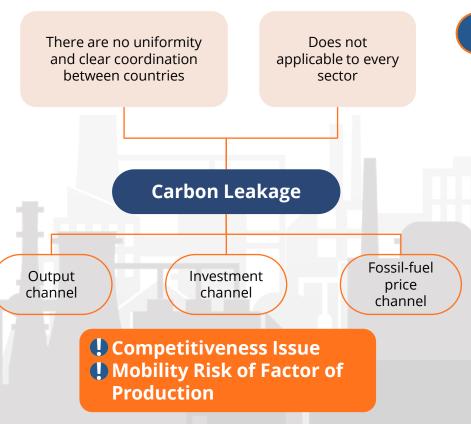


Distributional impact

How is the withholding mechanism? What would be the tax base? Who pays the tax? How much is the tax rate? How to monitor and evaluate the result? **Challenges** There are no certain **Political** limitation of Challenge emission that can be produced

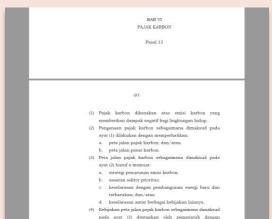
(Heyman, 2019)

Carbon Leakage Issue



Issue of renewable and sustainable energy

- Program energy mix (bahan bakar nabati)
- Struktur biaya
- Bagaimana industri yang lebih ramah lingkungan bisa tercipta? Earmarking tax?
- Insentif pajak



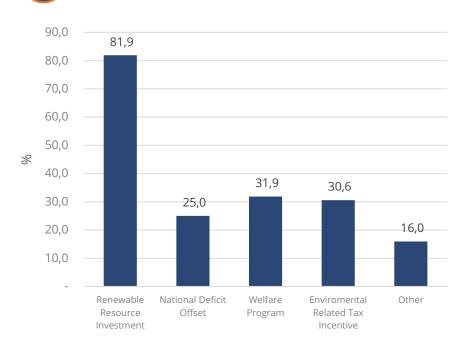
RUU HPP state
that the
regulations will be
in line under the
roadmap in
carbon pricing
and the agenda of
environmental
sector

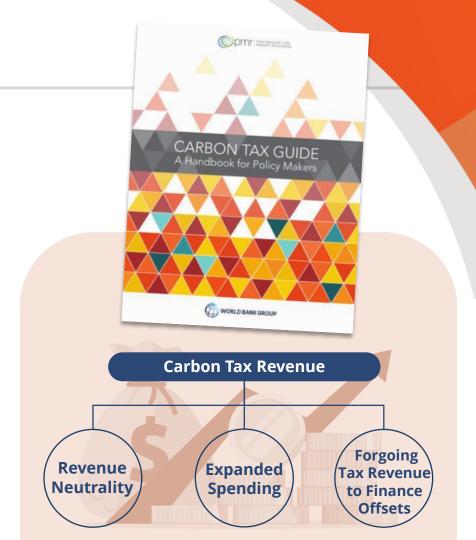
Further Issue:

Budget Allocation?

?

How should carbon tax revenue be allocated?





Source: DDTC News Survey

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