

## ETR: Relevance to New EU Member States

- Fiscal structure between EU MS rather different
- Complex system of air and emission charges (non-compliance fees) → revenues not part of national budget but receipts of Environmental Funds (financing tool providing subsidised financial assistance - co-financing instrument for international / EU funds)
- 2003 Energy Taxation Directive – establishing minimum tax rates for oil products, natural gas, coal and electricity → large consequences for new EU member states

## Fiscal structure – 2007 (source: Eurostat 2009)

	Czech Republic	Denmark	Estonia	Germany	UK	EU
Indirect tax	30.5	37.1	43.0	32.7	35.4	38.4
Direct tax	25.3	61.2	23.7	28.7	46.3	32.3
-Personal income	11.7	51.8	18.5	23.4	28.9	20.6
Social contribution	44.2	2.0	33.3	38.5	18.4	29.5
-employers	27.9	0	32.4	16.6	10.1	17.8
-employees	9.8	2.0	0.5	15.5	7.7	8.8
TOTAL TAX	100	100	100	100	100	100
Total tax % of GDP	36.9	48.7	33.1	39.5	36.3	37.5
Env tax (energy tax)	6.8 (6.3)	12.1 (4.6)	7.0 (5.7)	5.7 (4.7)	6.7 (5.0)	7.2 (5.1)

## Environmental charge schemes

**Environmental charges (air and water emissions) – widespread instrument in Central and Eastern Europe and in place since the 1970s**

**Significant source of income of Environmental Funds – about 30% of total income from environmental charges in 2005 (National Fund Poland)**

**Environmental Funds are still in place in new EU member states – played role during EU accession process and are still important source for financing environmental investments**

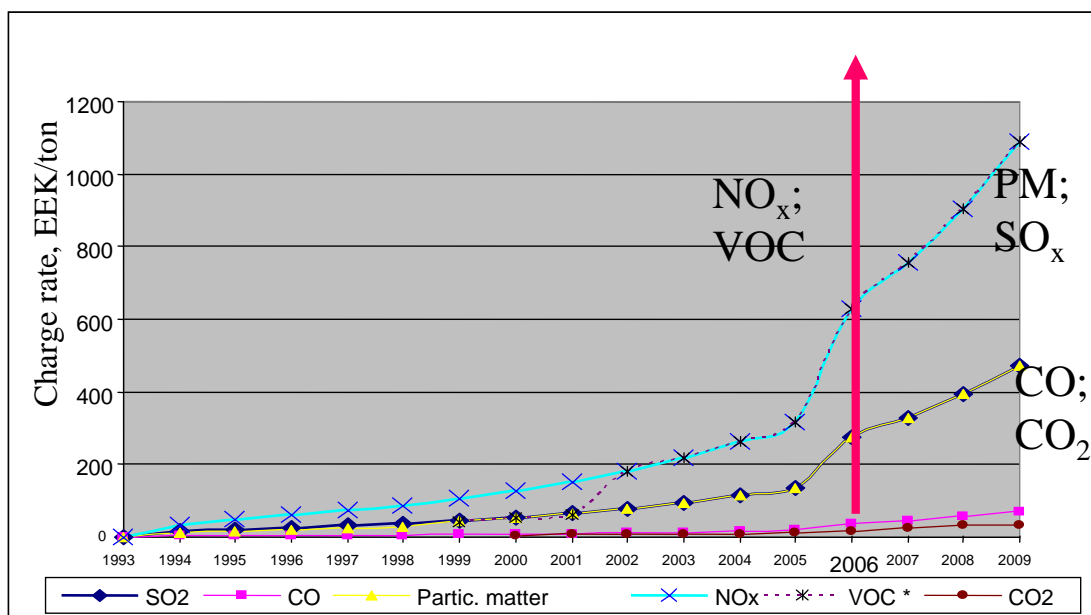
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## The dynamics of the selected environmental tax rates

### Air pollution charges

Source: Kraav and Lüpsik, 2007 Munich – Conference on Environmental Taxation)



## Energy Taxation Directive

**New EU member states faced huge increases in transport fuel tax rates plus introduction of other energy taxes (natural gas, coal and electricity)!**

**Potential for ETR because of revenue raising potential!**

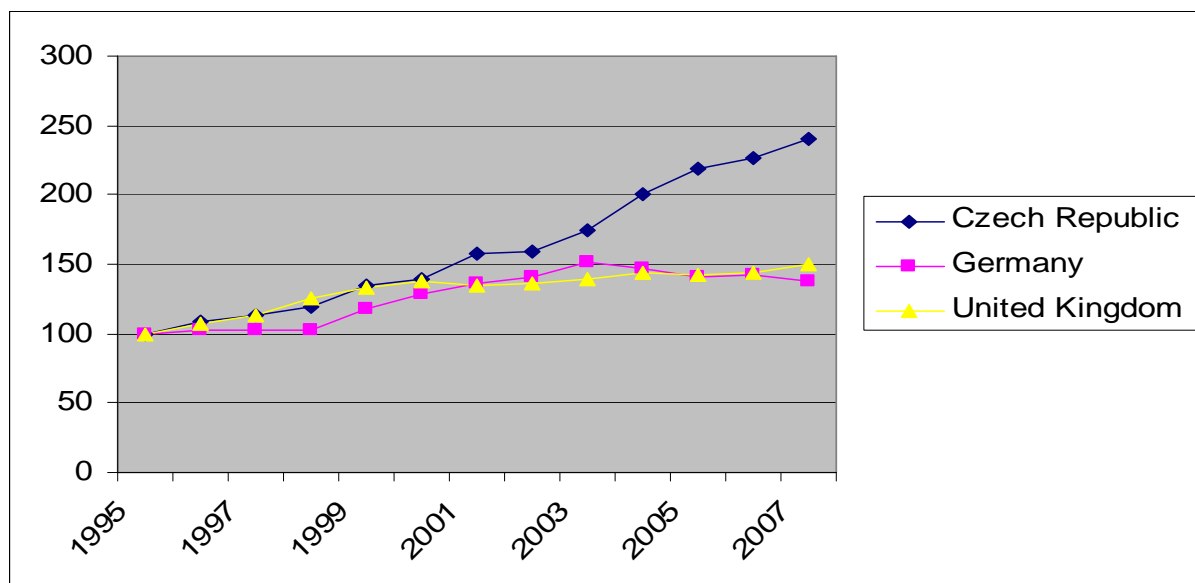
Source: Eurostat 2009	Transport fuel tax % of GDP	Other energy tax % of GDP		Transport fuel tax % of GDP	Other energy tax % of GDP
Denmark	1.2	1.1	Czech Rep	2.2	0.1
Germany	1.4	0.4	Estonia	1.8	0.1
Sweden	1.2	1.0	Latvia	1.7	0
UK	1.7	0.1	Poland	1.9	0.5

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## Nominal revenues from energy taxes

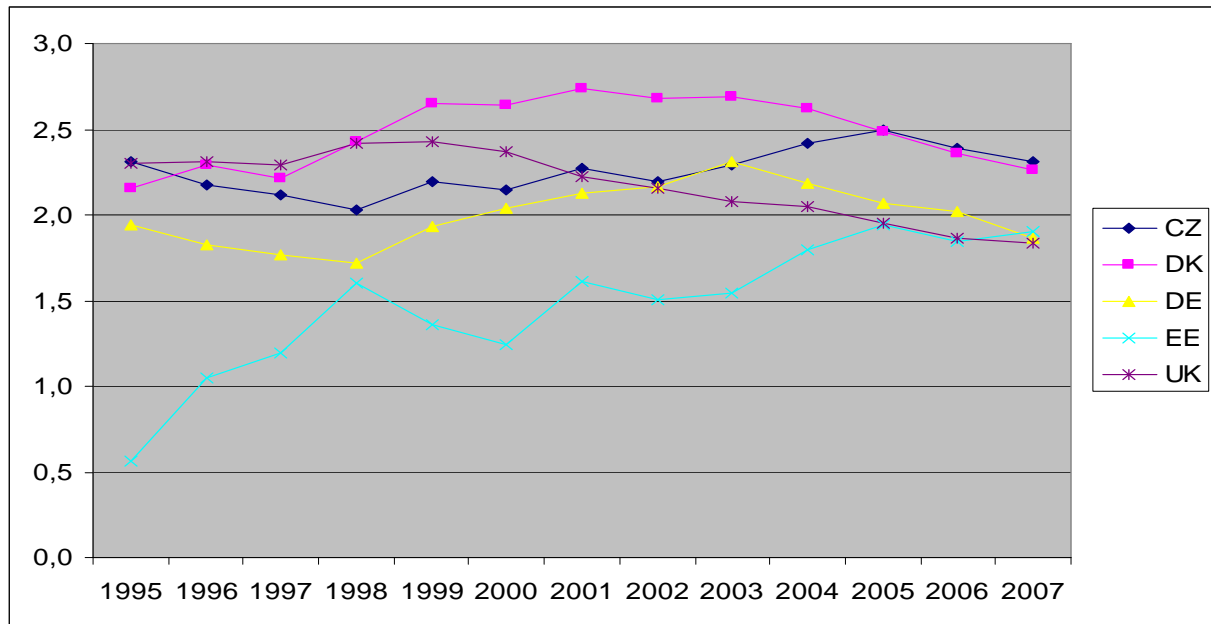
(source: Eurostat, 2009 and 1995 = 100)



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## Energy Taxes as % of GDP (source: Eurostat 2009)



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## ETR in new EU member states

### Czech Republic

### Estonia

- excise duty rates of petrol and gas oil are set at the EU minimum levels from 1st of January 2008. This is two years earlier than according to transitional periods given to Estonia with council directive 2004/74/EC (amending directive 2003/96/EC)
- Revenues are being used to offset the budget implications of reduction of income and corporate tax rate (flat rate of 20%)

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