Danish Experiences with Green Tax Reforms – and Lessons Learned

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Green Budget Europe - Budapest 8. – 9.7.2010
Environmental Taxes for Energy, Transport and Pollution/Resources

Revenue in % of GDP

Source: Taxation trends in the EU, Eurostat 2007
Danish Green Taxes on Industry are Comparable with other EU Countries

Source: Taxation trends in the EU, Eurostat 2002 and own Calculations
Denmark has the Largest Variety of Green taxes in the EU

Source: EEA, 2006

Green Budget Europe - Budapest 8. – 9.7.2010
Level of Danish Environmental Taxes
1970 – 2010

Green Taxes in % of GDP

Danish Green Tax Reform
1994 - 1998

Danish Tax Freeze
2002 - 2008

Source: Danish Ministry of Taxation

Green Budget Europe - Budapest 8. – 9.7.2010
Level of Danish Environmental Taxes
1990 – 2010

Source: Danish Ministry of Taxation

Green Budget Europe - Budapest 8. – 9.7.2010
The Danish Tax Shift in 1990’s

[Graph showing income taxes and green taxes as a percentage of GDP from 1994 to 2000]

Left Axis – Income Taxes in % of GDP
Right Axis – Green Taxes in % of GDP

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There are Always Two Sides of a Tax Shift

- Revenue neutral and social balanced Green Tax shifts involves a two side approach
- Front side is the actual increasing of green taxes on energy and other things, that we do not want to be overused
- Flip side is the decrease of taxes on work and the complimentary increase of social allowances etc. to balance the increased costs for e.g. energy
Green Taxation was part of the 2001 Danish Election for Parliament

• The Social Democratic government did the tax shift from 1994 to 1998, and even did more than to neutralize the social impacts from the green taxes

• But they forgot to tell people about the positive flip side

• This made it easy for the Right wing opposition to take forward a campaign saying that green taxes will harm the poorest the hardest

• If you forget or deliberately refuse to take the flip side into consideration - calculating only the front side will give a social unbalanced result
Green Taxation was part of the 2001 Danish Election for Parliament

- The Social Democratic Party lost the election which forced the now right wing government to introduce a tax freeze – because they in the election campaign had promised that no green taxes would increase in order to defeat the Social Democrats

- This lead to a decrease in Danish Green taxes for 8 years – and the trend is just changed last year
Lessons learned from the Tax Shift

• Both sides of the tax shift need massive information – especially the more invisible flip side

• Information depends on the possibilities to use the tax system for social balancing reasons

• If you just need more taxes, you must explain that introducing green taxes makes it possible not to increase other taxes

• Loosers will cry out - you must show the future winners

• But you still have to actively secure the social balance – and tell people how you do that
Important to note:

- Green taxes are less social imbalanced than VAT
- Green taxes on cars and car use are social balanced
- The documented double dividend – obtained by the correct use of the revenue - will make green tax shifts beneficial for the overall national economy
- Green tax shifts also promotes energy efficiency, less pollution and less use of resources
- Green tax shifts create jobs
- You can reduce your tax by consuming green
Danes now Support a Green Tax Shift

Question: Do you Support Increasing Green Taxes if a Similar Reduction in Income Taxes are done?

Source: Climate Opinion Survey - June 2010 by CONCITO

Yes 47%

No 36%

Don't know 17%
Thank you for your attention

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