

**МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
СУМСЬКИЙ ДЕРЖАВНИЙ УНІВЕРСИТЕТ
КАФЕДРА ІНОЗЕМНИХ МОВ
ЛІНГВІСТИЧНИЙ НАВЧАЛЬНО-МЕТОДИЧНИЙ ЦЕНТР**

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КОНФЕРЕНЦІЇ
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THE MAIN REASONS OF USING ENVIRONMENTAL TAXES

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The objectives of environmental policy can be reached by using different methods and instruments. Most of them can be divided into two main groups: economic instruments and administrative instruments (frequently called “command and control” (CAC) regulation). In spite of the fact that combining CAC regulation with economic instruments can provide a higher efficiency of environmental measures, it is often argued that one of these groups is more worth using than another. It would be better to say that there are some cases when CAC regulation is more appropriate and some cases when using economic instruments provides better results. It is connected with peculiarities of these instruments.

As environmental taxes are one of the most popular economic instruments of environmental policy, let’s analyze what benefits can they provide and what are the crucial factors of their efficiency.

The main reasons for increasing use of environmental taxes are as follows:

- internalization of externalities: environmental taxes try to reflect the cost of environmental damage by increasing the price of a good or activity;

- incentive to abate: reducing of environmental tax payments can be reached by decreasing of the tax base (i.e. decreasing the amount of pollution). In such way environmental taxes provide an incentive for abatement activities;

- incentive to innovate: decrease in the amount of pollution can be provided by improving the technological process of producing goods by developing and implementing innovations;

- flexibility in determining the least-cost way to reduce the environmental damage (thus to reduce environmental tax payments): environmental tax allows each polluter to decide whether its cheaper to pay the tax or to reduce pollution [1, 2];

- raising revenue: environmental taxes revenue can be used to address environmental problems directly or to finance other government purposes.

All of these effects of using environmental taxes can be achieved only if tax implementation is well-designed. A number of factors should be considered while designing and implementing environmental taxes:

- environmental tax should be levied as directly as possible on the pollutant or action causing the environmental damage [2];

- an environmental tax should be designed according to the scope of environmental damage: for instance, water pollution effects can be spread over a few regions, that is why environmental tax on water pollution has to be implemented on the national level;

- it is better when environmental taxes have no exceptions at all (that reduces the probability of tax evasion). Nevertheless, exceptions can help to consider impact of such taxes on some taxpayers, e.g. low-income groups, that is why they are still important, but they should be few to avoid rising of administrative costs and decreasing of environmental taxation incentive effects;

- tax rate should correspond to the value of the environmental damage (according to Arthur Pigou environmental tax rate is optimal when marginal private costs are equal to marginal social costs which reflect society's value of the environmental damage);

- predictability of tax rate is a significant factor of motivating environmental improvements: when taxpayers know about soon rising of tax rate they have a possibility to prepare for it: they have enough time to improve the production process by implementing technological innovations or by substituting some resources which will be taxed at higher rates, etc.

So, every instrument has its advantages and limitations, otherwise it would be no need in plenty of other instruments. That is why knowledge about advantages and limitations of different economic and CAC instruments gives a possibility to combine them successfully.

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