

**Global Warming Policy and Local  
Environmental Taxes for Realization of  
Low Carbon Society**

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# Topics

- **Overview of Japan's environmental protection tax system**
- **Explain the possibility of local environmental tax, taking the case of two prefectures as an example**
- **In this Study, the focus will be on knowledge that is important in considering the future environmental tax rather than a tax system that directly contributes to a low-carbon society.**

# Types and methods of Environmental Protection Tax Systems in Japan

## Environmental protection tax system



### Environmental tax incentives

- **Exclusion from taxation**  
(Not subject to tax on specific goods)
- **Tax exemption**(Investment tax credit)
- **Tax reduction**(Preferential tax rate)
- **Deductible**(Special depreciation)
- **Refund**(to specific companies)

### Environmental tax sanctions

- **Non-deductible** (penalty)
- **Additional taxation** (Premium tax rate)
- **Environmental tax** (Carbon tax)

# The processing to the Global Warming Countermeasure Tax in 2012

<b>1978</b>	<b>oil coal tax</b>	<b>paid attention to advantage characteristics of the oil use to spread a burden for oil consumption.</b>
<b>1984</b>	<b>oil coal tax (revision)</b>	<b>A tax rate was raised to plan the finance of oil and oil alternative energy measures hydrocarbon gaseous was added as a taxation object</b>
<b>1988</b>	<b>oil coal tax (revision)</b>	<b>It is introduced the specific duty of the oil tax in Special Taxation Measures Law.</b>
<b>1989</b>	<b>oil coal tax (revision)</b>	<b>it was applied specific duty in a fundamental law</b>
<b>2003</b>	<b>oil coal tax (revision)</b>	<b>the coal was newly taxable and the tax rate for the hydrocarbon gaseous was raised</b>
<b>2012</b>	<b>oil coal tax (revision)</b>	<b>based on a current oil coal tax Added to the tax according to the CO<sub>2</sub> emissions to an oil coal tax</b>

## The processing to the Carbon Tax in 2012

The introduction of environmental tax by the government was reluctant due to opposition and recession of the industry.

However, in 2000, the “Decentralization Law” was enacted, the tax independence of local governments was expanded, and environmental taxes were being introduced at the local level.

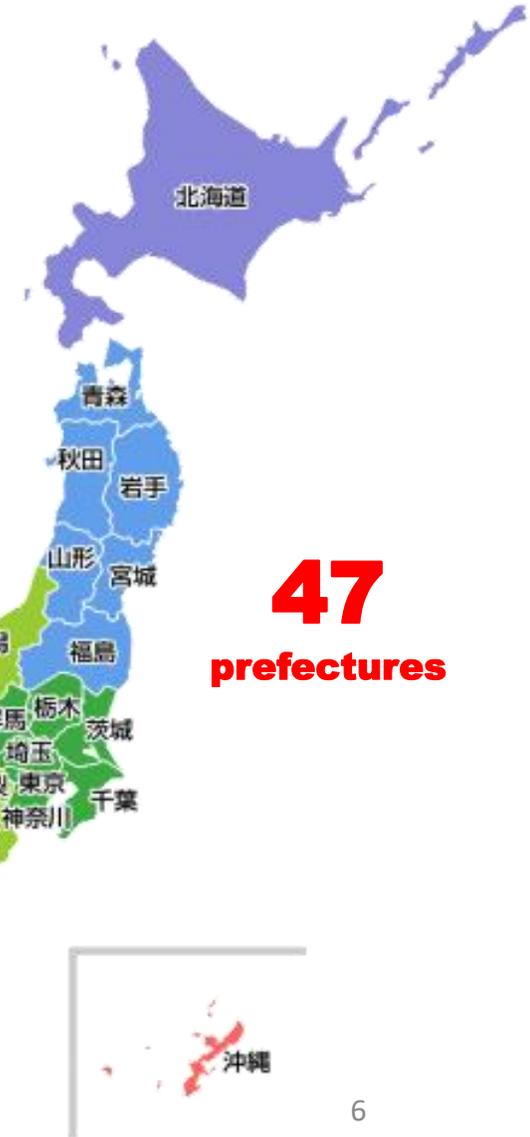
<b>2012</b>	<b>oil coal tax (revision)</b>	<b>based on a current oil coal tax Added to the tax according to the CO<sub>2</sub> emissions to an oil coal tax</b>
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# Local environmental tax in Japan

■As of 2017, it is introduced in **37** prefectures out of 47 prefectures.

■In many prefectures, it is introduced as a **forest environmental tax**.

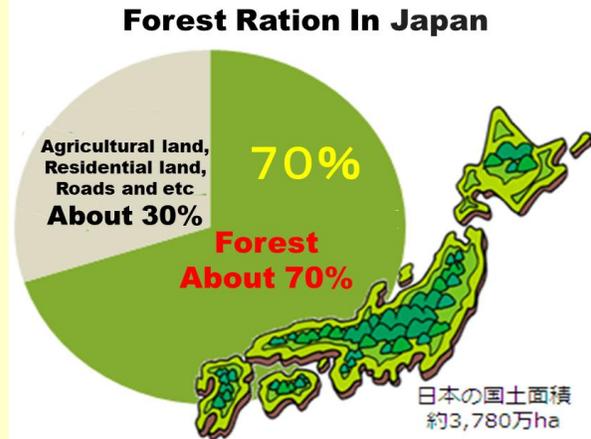
■It is also **added a excess taxation** of the prefecture tax to the Local citizen.



# Public interest and problem of forest

## ■ **Public interest** of forest

- **The soil retains rainfall**
- **Equalize quantity of water to flow into the river**
- **Prevent a flood**
- **Stabilize the flow quantity of the river**

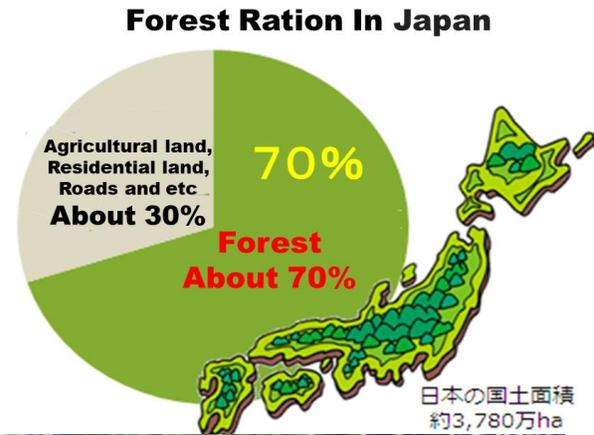


## ■ **Problem**

- **Labor shortage of Forestry cause aging and degradation of forest**

# The purpose of forest environmental tax

■ The major forest problems in Japan is **to actively utilize and cultivate them** rather than protect from illegal logging like the world's forest problem.



Forestry



Maintenance



Afforestation

# Issues related to forest environmental tax

- It is difficult to clarify **what kind of public services** are provided for the residents who are taxpayers.
- Based on the beneficiary burden, it is not justified that **the range of beneficiaries is clearly divided by prefecture.**
- In many cases, it cannot be said that there is theoretically **sufficient consensus on taxation grounds.**

# Difference from general environmental tax

■ In general, environmental taxes are **imposed on pollution factors** (ex. CO<sub>2</sub>) or **receive tax benefits** as a result of environmental considerations.

■ It is **not imposed** on the cause of forest **user** (ex. forester), but is imposed on local residents **uniformly**, **so it does not directly change taxpayer behavior**.

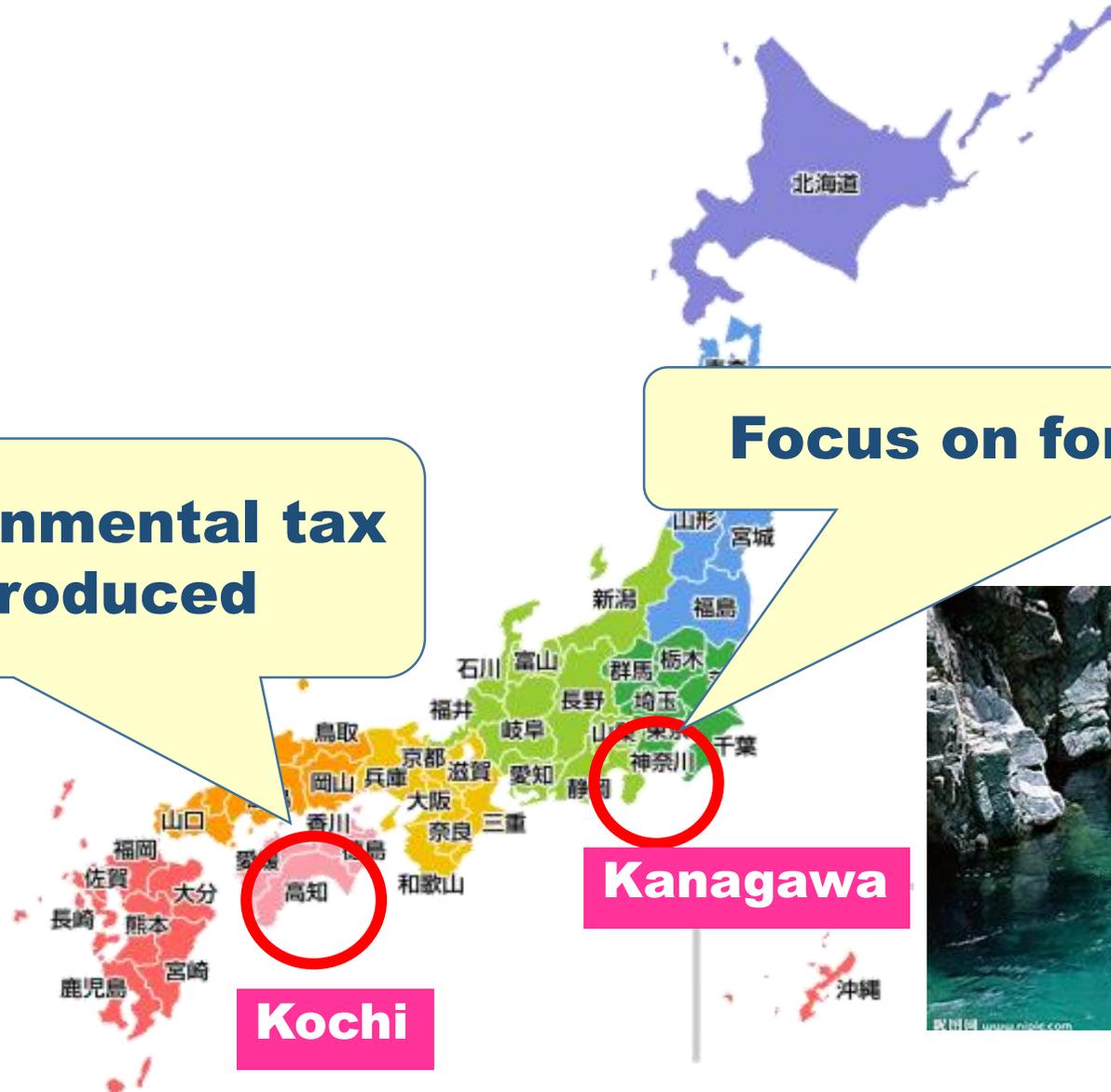
It's called this participatory tax in this presentation.

■ Through the payment, local residents view forests in their area as valuable assets and to participate in conservation activities independently.

# Case of Kochi and Kanagawa prefecture

The local environmental tax was first introduced

Focus on forest water sources



# Example of participatory tax system

Kochi Prefecture		Kanagawa Prefecture	
2001	<ul style="list-style-type: none"> <li>① New tax system review project team</li> <li>② Kochi Forestry Promotion Committee</li> </ul>	2001	<ul style="list-style-type: none"> <li>① Special subcommittee for living environment taxation</li> <li>② Symposium on water environment</li> </ul>
2002	<ul style="list-style-type: none"> <li>① Prefectural questionnaire</li> <li>② New Tax Symposium</li> <li>③ Exchange of opinions with the mayor</li> <li>④ Opinion exchange with prefectural network</li> <li>⑤ New tax system for forest environment conservation</li> <li>⑥ Establishment of a fund/ third party committee</li> </ul>	2003	<ul style="list-style-type: none"> <li>■ Prefectural assembly to consider water source environmental conservation measures and tax measures</li> </ul>
			<ul style="list-style-type: none"> <li>① Delivery meeting</li> <li>② Water source exploration tour</li> <li>③ Night talk</li> <li>■ About <b>200 times</b> events</li> <li>■ Opinion exchange with about <b>13,000 residents</b></li> </ul>
2003	Forest environmental tax introduced	2007	Water source environmental conservation tax introduced

**Hold many prefectural participation events until tax introduction**

# The result of participatory tax system

Kochi Prefecture		Kanagawa Prefecture	
Taxation method	Excess taxation of prefectural tax 500 yen per year every taxpayer ( <b>6euro/year</b> )	Taxation method	Excess taxation of prefectural tax 890 yen per year every taxpayer ( <b>10 euro/year</b> )
Usage details	Forest conservation project with participation of the prefecture Business to preserve the environmental functions of forests	Usage details	Promoting water resource forestry projects Support for regional water source forest maintenance Natural purification measures in rivers and waterways
<p>Despite the tax increase for residents, <b>more than half of the residents agree</b> with new tax.</p> <p><b>More than 80% of respondents feel close to the forest.</b></p> <p>(“Public Opinion Survey on Forests and Life” by the Cabinet Office:2011)</p>		<p>Establish a prefectural meeting to reflect the opinions of the citizens of the prefecture, such as business plans, implementation, evaluation, and reviews.</p> <p><b>Enter the third period with the understanding of the citizens</b> of the prefecture</p>	

## Revenue is spent for

- an **instructional activity** to preach importance of nature through the seminar and the on-site training
- the **public management** and reproduction for the forest went to ruin **and so on**
- **enlightenment** about global warming
- upbringing of the leading figure **to find a forestry worker**
- the **support** of a volunteer for forest preservation and the **NPO**



Study to grow trees

Maintenance of the forest went to ruin

support of a volunteer

## The importance of resident participation tax system

■ Participatory environmental taxes need not be recognized only by prefectural staff and experts, but it is important for **residents to understand of environmental issues.**

■ By recognizing the significance of environmental taxes as a **payment for ecosystem services**, local residents themselves can **actually be involved in forest restoration.**

# A new tax perspective

- Focuses on the **“process”** of raising the interest of the citizens rather than the **“result”** of how much the tax contributed to **environmental protection.**
- The **“Local Environmental Tax”** is **more effective** than raising the tax revenue by taxation.
- Because **“Local Environmental Tax”** is **more effective** to the Local people for the awareness and the importance of forests.

# Conclusion

■ Importance of **Eco-System** service value.

■ There is a need to continue exploring the construction of an effective tax system for awareness-raising.

■ However, the **participatory tax system** as seen in the local environmental tax can be a **good hint** that will lead to the realization of a low-carbon for a sustainable society.

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**Thank you for your attention !**

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# OECD's "Tax Greening" approach

## ■ Removing existing distortionary subsidies and tax provision :

- ✓ Investment Costs for Subsidies for mining resources such as coal and road maintenance infrastructure

## ■ Restructuring existing taxes :

- ✓ Additional tax on energy related tax.

## ■ Introducing new eco-taxes :

- ✓ Plastic bag tax and forest tax

## ■ Revenue-neutral tax shifts :

- ✓ Combining existing energy tax increases with income and corporate tax reductions