# ENSURING THAT POLLUTERS PAY

## Belgium

Belgium's revenue from environmentally relevant taxes was above the EU average. Environmental taxes stood at 2.64 % of GDP in 2019 (EU-27 average: 2.37 %). The largest portion of the environmental taxes were the energy taxes at 1.88% of GDP, similar to the EU average of 1.84 %. Transport taxes represented 0.64% of GDP (EU average being 0.45%), taxes on pollution and resources represented only 0.11% (slightly higher than the EU average at 0.08%). In the same year, the environmental tax came to 5.74 % of total revenues from taxes and social security contributions (mirroring the EU average of 5.76 %).

Belgium has several economic instruments in place. There are different taxes associated with transport, e.g. a tax for petrol and other car fuels, on motor car sales and use, road use and on flights. It also has taxation on heating fuel and electricity, and on waste management, packaging and plastic bags. A pay-as-you-throw scheme is in place, with exemptions for families with babies, to compensate for the cost of disposing diaper waste. Flanders and Wallonia have taxes on water abstraction, Wallonia has a tax on environmental impacts from farming (application of pesticides and manure). Belgium also has an offsetting scheme, which could be improved.

An environmental NGO, Bond Beter Leefmilieu, advocates a tax shift on waste ('circular services') and energy.

## Further options

### A **pesticide tax** could work to improve water quality

Belgium has one of the highest levels of pesticide applications in Europe, and due to that, significant chemical pollution of surface and groundwaters (EC, Implementation Review). According to the OECD 'the very intensive agriculture found in parts of Belgium continues to have a very deleterious impact on the country's water resources'; increasing the rate of the existing pesticide tax is suggested to bolster current efforts to reduce

pesticide contamination of water sources (environmental performance review of Belgium). According to UNDP (2017) the current tax covers only five substances and the rate of €0.5/kg is only symbolic.

Modelling suggests that much higher rates based on pesticide load indicators, as used in Denmark [see factsheet DK] would potentially strongly reduce the pesticide load in Belgium too. It could raise € 312 million in revenue (decreasing to 144 million as it does its regulating work), contribute around 0.03% to GDP by 2025 and deliver a slight increase in employment.

## **Offsetting** with market features to protect biodiversity and nature

Every year, in Belgium, 2600-3600 hectares are converted from non-urban to urban uses. This includes natural land. An offsetting scheme could influence this trend by introducing a system of points according to nature value, for which offsetting has to be paid. A similar system exists in Luxemburg, with a basic cost of €1 / m2 per biodiversity unit, which is adjusted to reflect the nature of the specific habitat damage which is to be offset – for example the rarity of the habitat concerned. This is expected to incentivize the use of land with less nature value; or at least to offset the damage by creating a fund for creating / restoring nature elsewhere.

Examples of economic instruments

# TAX ON ENVIRONMENTAL IMPACTS **FROM FARMING**, Wallonia

This annual tax, in place since the beginning of 2015, replaces a tax on discharge of agricultural wastewater and aims to internalise the environmental costs linked to agricultural activities' impacts on water resources, and in particular to livestock manure or the use of fertilizers and phytosanitary products in crops. The Belgian Court of Audit has reported to the Parliament on the design of the tax and on its implementation by public authorities in Wallonia..

The tax only applies to farmers with a certain number of farm animals and/or a certain area of crops or grassland. For its farm animal component, the number of animals owned of each category is multiplied by its associated nitrogen coefficient, and all results are summed. The nitrogen coefficient reflects the annual nitrogen production value by type of animal. For its land component, the area per land type (i.e. cultivation, organic cultivation, meadows and organic meadows) is multiplied by a nitrogen coefficient, and all results are summed. Exemptions or reductions of the farm animal component can be granted when the person subject to the tax holds a certificate of conformity for the storage facilities for livestock effluents.

Around 13 500 taxpayers are targeted by the new tax, leading to an annual revenue of about €1.3 million. While the tax is a good step forward in the internalisation of environmental costs and is less complex than the previous system, the national Court of Audits argues that pollution caused by certain types of crops is not sufficiently taken into account in the tax calculation formula. The EC reports that the concentrations of nitrates in surface and groundwater stayed relatively stable in Wallonia from 2012 to 2015; more recent data are lacking.

The tax is in line with long-term plans outlined in Wallonia's First Strategy on Sustainable Development (2013), which aims for internalisation of external (environmental) costs, e.g. for food products. The strategy was partly informed by consultations with the Wallonia Council for Environment and Sustainable Development (CWEDD), the Wallonia Council for Economy, Society and the Environment (CESW), and the Wallonia High Council for Cities, Towns and Provinces.

Wallonia Federation for Agriculture (FWA) provides support to farmers in the region of Wallonia and

defends the interests of the sector. The website can be accessed here.

# THE **PER-KILOMETRE TAX** FOR HEAVY GOODS VEHICLES, Flanders

The potential for a 'green' tax shift in Belgium was raised repeatedly in the European Semester process, and the introduction of a charge per kilometre for lorries in all Belgian regions from April 2016 was deemed to be one of the most significant improvements of the Belgium tax system reform by the EC. The measure, which is also mentioned in the subsequent National Air Pollution Control Programme, is one of the measures that the Flanders region hopes will improve air quality.

The charge takes the form of a fee subject to VAT in Wallonia since the roads are managed by a private company, whereas it is a tax in Flanders and in the Brussels region. It is paid at tolls, with the tariff being set at the regional level, by trucks with a mass of over 3.5 tonnes (with some exceptions) and by some semitrailers. The charge is paid via the use of an on-board device which calculates the toll based on the number of kilometers travelled, the type of road used, and the vehicle (based on weight and EURO emission class). In Flanders, the toll applies to all motorways and some major secondary roads. The tariffs set by each region and the map of all roads covered in Flanders can be accessed here.

The tax should have environmental benefits in terms of CO2 emission reduction and improved air quality as it pushes for rationalising trip planning in the sector

and for the purchase and use of cleaner trucks. In a 2019 report, it is stated that the tax did accelerate the renewal of the truck fleet and hence reduced air pollution. Nevertheless, a 2017 study found that – although there was no shift of heavy good vehicles to non-toll roads one year after the tax came into force – there was actually a growth in traffic on toll roads (both highways and secondary roads). While the effectiveness of the tax is still being evaluated by the Flemish region, it is already looking into introducing a similar charge for all light-duty vehicles. Some options to differentiate the charge in terms of time and place are also being examined.

In Flanders, in 2019, the total amount levied reached over € 451 million, up from € 449 million in 2018 and € 424 million in 2017.

The process for setting up the system was kick-started in September 2011, when the three Belgian regions reached a cooperation agreement to reform the vehicles road tax. After some preliminary studies on feasibility, followed by a market analysis and some stakeholder consultations, some offers were made and the project design and implementation was granted to Satellic. The Inter-Regional Entity Viapass was also created in July 2014, and each region is equally represented within the Entity's administrative council.

[1] https://ec.europa.eu/eurostat/databrowser/view/env_ac_tax/default/table?lang=en

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