

NELR editorial

Dear Readers

Taxation and the environment

This issue features articles concerning the Rudd Government initiative to conduct ‘... a comprehensive review of Australia’s tax system to create a tax structure that positions us to deal with the demographic, social, economic and environmental challenges of the 21st century.’¹ The Henry Tax Review is chaired by the Secretary to the Treasury, Dr Ken Henry, and now well advanced towards producing its final report in December 2009.

Of course reviews of the tax system are a regular feature of Australian politics. What is unique about the Henry Review is the inclusion of many environmental matters within its Terms of Reference, with specific mention of inter-generational equity, environmental challenges of the 21st century, environmental taxes, tax expenditures and interrelationships with the carbon pollution reduction scheme. It is clear that the Australian taxation system needs reshaping to take account of economic globalisation and the trans-boundary nature of environmental problems like climate change. There is also a need to provide taxation rules that are compatible with the trend towards market based regulatory strategies, of which the CPRS is one of the most notable examples. Such reforms are also required as part of the transition to sustainable development, with the aim of integrating environmental considerations into all aspects of government policy. One heartening sign that there may be a fundamental change coming out of this review was provided by the Ken Henry himself, who has recently stated that environmental sustainability should be now recognised as one of the fundamental principles of tax design (alongside equity, efficiency and simplicity).

In this issue, Chuck Berger of the ACF has contributed a paper which elaborates upon this idea. Chuck suggests a range of specific tax reform proposals which would move the system a long way towards this objective. In similar vein is a paper by Australian Network of Environmental Defender’s Offices which is based upon a submission to the Henry Review. ANEDO addresses some of the arguments against the use of environmental tax reform and also makes many specific recommendations. A wider perspective on this topic is provided by the final paper, which reviews several submissions from key players in the business sector. It is somewhat disappointing to find that few submissions from that sector have engaged closely with the environmental aspects of the Terms of Reference or even the more immediate question of how the taxation system should be modified to accommodate the proposed CPRS. This is consistent with the findings of a recent survey by AIG and KPMG which has found that there is a serious lack of understanding and readiness for emissions trading amongst companies from a wide cross section of industry.

Regards
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¹ The Hon Wayne Swan, Press release 13 May 2008