TAX AND THE ENVIRONMENT FOR A SUSTAINABLE DEVELOPMENT

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Abstract: Environmental tax policy plays a key role in ensuring sustainable development by stimulating environmental behaviour and discouraging polluting activities. The implementation of environmental taxes can reduce the negative impact on the environment and encourage green innovations. Challenges include resilience to change, transition costs and the difficulty of implementing effective policies globally. It is necessary to identify those solutions that may include aligning tax incentives with environmental objectives, promoting a green economy and supporting the just transition for affected sectors. Adaptation of legislation and international collaboration are crucial to the success of this policy and the environmental taxes can contribute to revenue mobilisation and redistribution and also, is an efficient and effective way to combat climate change, biodiversity loss and pollution, for a sustainable development in the future.

Keywords: sustainable development, tax policy, environmental taxes, challenges, solutions.

The influence and the action of tax policy on the evolution of the economy, production and consumption structures, investments and the promotion of green and energy efficient technologies, they are common topics at EU level and in a global context.

Tax policy is one of those pillars of the state through which it can ensure a positive influence in terms of sustainable economic development and growth.

Tax policy can affect individuals and firms through its effects on incentives:

- business taxes - decisions by firms on how much to invest and in what kind of assets;
- labour taxes - employment level and decisions on the acquisition of education and training;
- excessively generous social programmes can reduce incentives to work;
- lack of pollution charges which would lead to excessive pollution.

The incentive effects are not limited to the private sector, they play an equally important role in the public sector - wage and disciplinary policies shape the scale of corruption in public service and the productivity of public sector employees.

Tax policy can help to correct market failures, for example through investment in research and development, risk financing and environmental externalities.

For an understanding of the necessity and importance of *environmental tax policy*, it would be necessary to go through several stages, which should take into account:

• the identification of basic theoretical concepts in the field of fiscal policy, including both the different approaches of the existing concept in the literature and the specific objectives and instruments of fiscal policy, to ensure a theoretical, complex and complete framework;

• following the concepts specific to the fiscal policy at the level of the European Union: the concept of European fiscal policy, the legal foundations, the objectives, the problems, the instruments, but also the causes that made harmonisation necessary, governance and coordination in European fiscal policy and the purposes pursued by these processes;

• analysis of the evolutions in the fiscal policy of Romania and EU member countries through a comparative study, analysis and comparison of the structure of taxation and fiscal pressure at both European level, as well as for Romania and the framing of the fiscal policy of Romania among the other states of the European Union and not only;

• the pursuit of sustainable development concepts and indicators, but also to carry out a study for the relative assessment of the level of sustainable development of the EU member countries and the comparative analysis of Romania's position towards other EU member states;

• following the progress, but also the gaps in the sustainable development of Romania and other EU member states, so that we get the most relevant results.

The increased attention given to tax policy in the environmental field started from the consideration that the relationship between tax policy and economic growth is a topic of major interest, with the emphasis being placed on investigating the relationship between public spending and GDP or tax revenues and GDP, and less on the relationship between environmental taxes and sustainable growth and development.

Without government intervention, there are no market incentives for businesses and households to consider environmental damage, as the impact has little or no direct cost to the polluter and is spread across multiple individuals/firms. The goal pursued by governments is to achieve not only the economic performance as such of a country, but the nature of that economic growth, therefore environmental taxes are imposed not only to ensure environmental protection, but also as a relevant tool for improving sustainable development.

Environmental taxes are an instrument for changing the way resources are used with the greatest impact. On the one hand, environmental taxes determine and ensure environmental improvements - the first dividend, on the other hand, they also generate significant amounts of government revenue - the second dividend. This ensures the possibility for governments to reduce the rates of other taxes, while ensuring a constant level of total revenues and expenditures, highlighting the so-called revenue recycling effect. These other taxes are considered distortive, the reduction of their rates being considered an improvement and thus generating a second benefit through the adoption of environmental taxes.

Thus, we managed to capture:

- the level of sustainable development of countries in the three dimensions: social, economic and environmental:

- the evolution and structure of environmental taxes;

- the implications of fiscal policy, and in particular of fiscal policy in the field of environment, on growth and sustainable development.

Due to the complexity of the issues listed, we start from the premise that, for emerging economies, these taxes provide both GDP growth and prevention of environmental degradation by reducing pollution and environmentally harmful practices.

We thus try to identify the influence of environmental taxation on ensuring sustainable economic development.

To achieve the proposed objectives, the rulers must pay attention to the established guidelines, such as identifying solutions to reduce disparities with advanced EU countries under conditions of sustainable economic growth and development.

The new architecture of fiscal policy in the European Union has been determined by major changes in recent years, which has led to a comprehensive approach to the new fiscal governance, marked not only by the process of fiscal harmonization, but especially by the temptation of fiscal coordination.

We consider it necessary to shift the tax burden away from labour taxation to other tax bases related to consumption, ownership and combating pollution, with positive effects both for economic growth and for combating tax evasion.

The question arises whether tax policy in general and environmental policy in particular, can influence growth and sustainable development? In order to give the answer, we must start from defining the environmental taxes and fees, the analysis of the evolution of the environmental taxes, being necessary, in the end, identification of different methods for quantifying the effects of environmental taxes on economic growth and sustainable development.

Analyzing the evolutions in the environmental tax policy in Romania and the EU, we surprised the position occupied by our country in the EU member countries from this perspective.

Romania has an economy with a poor energy efficiency compared to the other states in Europe, obtaining among the lowest revenues from the environmental taxes reported to GDP, both in total, as well as by categories: taxes on energy, taxes on transport and taxes on pollution and use of resources. They are an effect of the guidelines towards the lowest possible levels of taxes and excise duties, taken by the governments that have succeeded over the post-revolution years.

It would be necessary:

- in the short term, the classical fiscal measures imposed to consider the taxation of excessive energy consumption and highly polluting energy products and the partial replacement of these products with renewable energy products;
- in the long run, fiscal measures should favour investment in promoting new energy-efficient technologies.

Romania is a democratic country, with a market economy that, to be a truly European country, from an economic and social point of view, still has progress to make, in particular, as a result of the maintenance of old structural problems and the orientation, in particular, towards individual well-being and not towards the development of the country in the future. The absence of coherent strategies in the economic and social fields, which required the adoption of short-term or at most medium-term measures, and not in the long term, is a real cause. The frequent changes in the legislation are also added, especially in the fiscal field and in the implementation measures, having as a major negative effect a continuous decrease of the confidence of foreign investors, thus imposing itself, adopting such a mix of economic policies that, through structuring, generate stability, predictability and transparency of the economic environment, but especially a stable environment for investors.

Environmental tax policy with its components can contribute through the additional fiscal function, to the effort of environmental conservation.

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The new architecture of environmental tax policy in the European Union has been determined by major changes in recent years, which has led to a comprehensive approach to the new fiscal governance, marked not only by the process of fiscal harmonization, but especially by the temptation of fiscal coordination. The purpose of taxation is to provide financial resources to the states. However, at present, taxes are widely used to interfere with private agents, to support certain economic activities/sectors/regions, to stop the consumption/reorientation of certain goods, and, finally, to achieve certain effects on the economy.

Taxes are mechanisms of economic transformation with a relevant impact on social behaviour, and the environmental tax system plays a particularly important role in any process of large-scale change.

The environmental aspects of tax policy are particularly targeted, with a major role in ensuring the sustainable use of natural resources and protecting the environment. Therefore, environmental protection generally requires collective action, usually government-led.

Can be used to ensure that prices reflect the total social costs of producing goods and services. This type of price is most conducive to long-term sustainable growth. As an example, the related prices for petroleum products must include not only the cost of buying/selling them on the world market, but also the social costs of air pollution that their use causes and, in the absence of more targeted instruments, pollution associated with the use of motor vehicles.

Climate challenges have an important role to play in increasing pressure on governments to have new ways of reducing negative environmental impacts, thereby reducing the damage to economic growth through a number of instruments, including regulations, innovation policies, environmental subsidies and environmental taxes.

Identifying challenges and solutions in the implementation of environmental taxes

There is a wider range of other perceptions, regulations and financial instruments that hinder the wider adoption of environmental taxes.

There are a number of factors that influence perceptions:

- awareness - information campaigns can change perceptions by highlighting the direct link between taxes and reducing environmental impact;
- economic level - more developed countries tend to accept these taxes more easily, due to a higher standard of living and greater awareness of environmental issues;
- implementation method - if taxes are transparent and the funds are used for visible and environmentally beneficial projects, they tend to be better accepted.

a. Positive perceptions

- environmental protection – environmental taxes are considered necessary to discourage pollution and to finance projects that protect the environment;
- incentives for change – they consider that these taxes can encourage the use of cleaner technologies and the transition to renewable energy sources;
- social responsibility – environmental taxes are perceived as a tool through which companies and individuals are held accountable for their impact on the environment.

Alongside these positive perceptions, we must also consider a number of negative perceptions:

- economic burden - environmental taxes are often perceived as an additional financial burden, especially among low - income households or small and medium-sized enterprises;
- impact on competitiveness - companies believe that these taxes can reduce competitiveness in international markets if they are not applied uniformly globally;
- inefficiency and corruption - in some cases, there is scepticism about the way in which the funds generated by these taxes are managed, with concerns that they are not used efficiently to support the environment.

Given that environmental taxes are imposed not only to ensure environmental protection, but also as a relevant tool for improving sustainable development, they represent a tool for changing the way resources are used with the greatest impact, for changing social and economic behaviours in relation to the environment.

It should be taken into account:

- the effective implementation of "green" taxes - requires a rigorous analysis of a number of factors, as *poorly designed taxes* can have a reduced effect on the environment and higher economic costs.

Profitable companies ensure, by paying taxes to the state, important contributions to the community, jobs and support for the economy, but, on the other hand, are waiting for a fair level of taxation.

Problems are highlighted related to the correct establishment of the negative external value, in particular, the return of the money generated by these taxes. These taxes and fees are established to reduce/eliminate the negative effects created by certain branches of the economic sector and when society is not aware of the return of the money, it tries not to pay them.

Also, a high level can fundamentally affect decisions.

- *establishing environmental taxes to ensure sustained and sustainable development.*

A significant influence on economic growth, with a positive effect on GDP, has:

- total environmental taxes;
- taxes on pollution;
- primary production of renewable energy;
- internal consumption of materials per capital.

Negative influence

- total gross electricity production.

In this context, it is necessary to ensure the effectiveness of energy taxation policy, a double application:

- in the short term - the classical fiscal measures imposed must take into account: taxation of excessive energy consumption and highly polluting energy products and partial replacement of these products by renewable energy products;

- in the long term - fiscal measures should favour investment in promoting new energy-efficient technologies.

Environmental taxation is not only a lever to ensure environmental protection but also sustainable development. Also for the economy of Romania, environmental taxation can represent an opportunity to achieve sustainable development and a high degree of ecological income, through the taxation of pollutants and the promotion of ecological practices and technologies.

Solutions:

- policy makers must be interested in the *relevant design of the environmental taxation system;*

- for an economy like Romania, it is important for policy makers *to discover the relationship between GDP and the influence of environmental taxation in ensuring well-being*, because these results can contribute to the proper design and implementation of energy and environmental policy.

At the level of Romania, the shortcomings concern the level of GDP and greenhouse gas emissions per capita, and achieving optimum efficiency would be possible through changes in the level of GDP and greenhouse gas emissions. In order to place itself on the efficiency frontier, Romania has several possibilities.

In this context, sustainable development policy may seem difficult to achieve, and the state of environmental factors can only be improved by meeting several conditions:

• environmental protection must become a common obligation of all persons, by strictly observing environmental standards and achieving the proposed targets;

• develop and implement effective national policies to promote sustainable development;

• effective and efficient use of financial resources acquired on account of environmental taxes and duties.

The process of economic growth and sustainable development can be influenced by fiscal environmental policy measures undertaken by government authorities. Their effects are

different from country to country, as we have seen from the analyses carried out, so we cannot expect a valid solution at EU level, to present the possibility of application by all governments that target sustainable growth and development.

Efficient use of tax policy instruments in the field of environment for the involvement and enhancement of economic growth and sustainable development by decision-makers who depend on:

- their ability to correctly determine the economic conjuncture;
- to choose the right instrument of intervention;
- to properly anticipate the effects produced in the economy by their use, which is why these analyses are necessary.

In the absence of information, one cannot understand the real purpose and impact of environmental taxes, which can lead to indifference or reluctance to accept them. Also, the perception of "additional charge", when they are perceived only as another source of income for the government, without understanding their environmental benefits, poses major difficulties.

The field of environmental taxation is a particularly complex one, both because of the many types of taxes that are subject to this field, which, as well as due to the socio-economic and political implications of any reforms in this field.

As a conclusion, it would be wrong to think that only the action of the state can ensure a favourable change in the destructive model of polluting economic development that characterized economic systems and ensure a healthy and indispensable environment for a sustainable economy and a fair society.

Complementary, it will also require the direct participation of society in the implementation of regulatory changes, as well as the change of irrational behaviour from an environmental point of view.

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