Integrating Pollution-Abating Economic Instruments in Goods and Service Tax (GST) Regime

The Research Team

MSE – Expertise

• MSE has functioned as the executing agency of the World Bank aided capacity building for Environmental Management during 1997-2002
• Ministry of Environment & Forests has designated MSE as Centre of Excellence in Environmental Economics in 2002
• MSE has provided inputs for various Constitutional bodies such as the 13th Finance Commission. MSE faculty have served on the Finance Commissions in the past
• MSE undertakes projects funded by various national and international organizations with focus on fiscal and environmental issues.

MSE Team

• Dr. D.K. Srivastava – Director, MSE; Former member of 12th Finance Commission; Chairman of the Group to review the FRBM Act
• Dr. K.S. Kavi Kumar – Professor, MSE; Member Secretary, Centre of Excellence in Environmental Economics
• Dr. Brijesh Purohit – Professor, MSE
• Dr. C. Bhujanga Rao – Associate Professor, MSE
• Dr. Bodhisattva Sengupta – Asstant Professor, MSE
• Ms. Lavanya P. Arun- Jr Consultant; Project Coordinator
• Ms. Asha Mariam Abraham- Jr Consultant
• Ms. G. Gajalakshmi- Jr Consultant

During the course of the project, MSE will closely interact with Think Tanks such as NIPFP; policy makers from key ministries including Finance, Commerce, Environment and Forests, and concerned line ministries such as Coal, Oil & Gas etc.

Overall guidance would be provided by an advisory committee headed by Dr. C. Rangarajan, Chairman, Economic Advisory Council to the PM of India with prof. U. Sankar as a member. Members include senior representatives from industry and government.

For further information please contact:

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ECO TAX AND INDUSTRY

Are eco taxes imperative?

• With growing awareness in Europe and the US on adverse effects of environmental degradation on economic growth, the trade policies and practices in these countries are increasingly demanding environmental compliance by the exporting countries.

• Domestic policies and action in India as part of wider economic reform agenda should therefore adopt a more futuristic approach to maximise the benefits due to open economy and to embark on a sustainable growth path.

• To facilitate such transformation, the exporters need to be incentivised through eco-taxes and eco-subsidies to adopt processes that are environment friendly and also comply with the international standards.

• For wider acceptability in the domestic as well as international market, Indian firms should adopt environmentally sustainable practices. Such practices are also increasingly being used by rating agencies for credit and other purposes.

Are eco taxes feasible?

It is possible to prepare for these changes without any additional fiscal burden on state by innovatively developing fiscal instruments (such as eco-taxes and eco-subsidies) to collect revenue based on environmental cost and its re-distribution for facilitating market corrections reflecting real cost to the economy in terms of environment.

Adopting eco taxes in India

As India is gearing up to adopt Goods and Services Tax regime by April 2010, it is an appropriate time for bringing environmental considerations to the core of over all tax reforms in India.

PROJECT INFORMATION

The Project Objective

The project aims at presenting technical papers on the subject and proactively disseminating information among key policy makers, Parliamentarians and stakeholders such as industrial organizations and associations.

Technical Outputs

• Synthesize International Best Practices in the Field of Economic Instruments for Environmental Management and Assess their Applicability to India

• Assess Impact of Fiscal Instruments for Environmental Management in India through a Simulation Model

• Develop Framework for Integrating Eco Taxes in the GST Regime

• Compilation of Perspectives of Different Stakeholders in the Implementation of Eco taxes and Eco subsidies

Capacity Building

• Enhancing awareness among policy makers and Think tanks about use of eco taxes and eco subsidies for environmental management to facilitate sustained economic growth

• Improving awareness among Parliamentarians regarding effectiveness of eco taxes and eco subsidies

• Increasing awareness among Industrial organizations and associations regarding uses of eco taxes and eco subsidies

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