

# Landfill tax: introduction & early history

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Landfill tax was introduced on 1 October 1996: this country's first tax with an explicit environmental purpose. The tax is collected from landfill site operators. It is charged at a standard rate per tonne on 'active waste' (such as plastic packaging), and at a lower rate on inactive waste (such as builder's rubble). When the tax was first introduced, the standard rate of tax was £7, and the lower rate was £2. The standard rate of tax has been increased steadily since 1999, and at present is set at £40 per tonne. The tax raised £420 million in its first year of operation; it is estimated it will raise £1 billion in 2008-09. Guidance on the tax for site operators is available on HM Revenue & Customs' website; statistical data on tax receipts and landfill volumes is published on the UK Trade Info site.

This note discusses the background to the tax's introduction, concluding with a summary of the changes announced in the 1999 Budget. Two other Library notes look at recent developments concerning the landfill tax, and at the landfill communities fund – a tax credit scheme to reduce the environmental impact of landfill sites.<sup>5</sup>

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<sup>&</sup>lt;sup>1</sup> HC Deb 31 July 1998 c 667W

<sup>&</sup>lt;sup>2</sup> Budget 2009 HC 407 April 2009 p231

<sup>&</sup>lt;sup>3</sup> HMRC, A general guide to landfill tax: Notice LFT1, September 2009

HMRC, Landfill tax Bulletin, July 2009. At: https://www.uktradeinfo.co.uk/index.cfm?task=bulllandfill

Landfill tax: recent developments, SN/BT/1963, 6 October 2009; Landfill communities fund, SN/BT/1060, 6 October 2009.

## 1 The decision to introduce a landfill tax (1994-95)

The introduction of a new tax on landfill was proposed by the then Conservative Chancellor, Kenneth Clarke, in his Budget in November 1994. He argued that the tax would achieve the twin objectives of raising money and protecting the environment, without imposing new costs on business:

Taxes can play an important role in protecting the environment. One major problem is the disposal of waste. I would like to make an announcement today to help tackle the problem. My right hon. Friend the Secretary of State for the Environment and I will issue shortly a consultation paper setting out details of a new tax to be collected by Customs and Excise on waste disposed in landfill. We propose that a new landfill tax should come into effect in 1996. It should raise several hundred million pounds a year. But I am determined not to impose additional costs on business overall. I shall therefore be looking at ways to offset the impact of the new tax by making further compensatory reductions in the level of employer national insurance contributions when the new tax is introduced. In brief, I want to raise tax on polluters to make further cuts in the tax on jobs. <sup>6</sup>

Traditionally landfill has been a cheap disposal method in Britain, and the vast majority of waste in this country has been put into landfill rather than being incinerated. Nonetheless, the burying of waste, rather than its burning or recycling has come at a considerable price. Sites can be ugly, unpleasant places, and the leakage of waste from them poses serious environmental problems.

In 1993 a report by the Royal Commission on Environmental Pollution supported a shift from landfill to incineration, to reduce the impact of waste on the growth of greenhouse gases. The authors argued that work on the relative costs of waste disposal – in particular, a recent report commissioned from the consultants Coopers and Lybrand – ignored the wider environmental disbenefits of landfill:

These environmental costs do not have to be met by the operators of a waste disposal facility, and in consequence are unlikely to be taken into account in their investment and operational decisions. In other words, the private costs to the operator are not likely to reflect fully the overall cost of waste disposal to the community. If disposal charges are as a result lower than the full economic costs of disposal (including the environmental costs), the quantities of waste sent for disposal may be larger, and the proportion recycled smaller, than would be the case if the charges reflected the full economic costs. Moreover the methods of disposal chosen may not correspond with the best practicable environmental option.

In particular, the pre-treatment of landfill waste by incineration was desirable to reduce the long term risks from pollution, cut greenhouse gas production, reduce the incidence of

<sup>&</sup>lt;sup>6</sup> HC Deb 29 November 1994 c1098. From 1993 to 1996 the Conservative Government presented the annual Budget in the autumn; after the Labour Government's first Budget after the General Election in July 1997, it resumed the traditional practice of having the Budget in the spring.

At this time it was estimated that 102 million tonnes of controlled wastes per year were landfilled, compared with 3.9 million tonnes incinerated (Department of the Environment (DoE), *Externalities from Landfill and Incineration*, NS 9876 November 1993 p5).

<sup>8</sup> Incineration of Waste Cm 2181 May 1993

<sup>&</sup>lt;sup>9</sup> Cm 2181 May 1993 para 9.30

'leaching' from landfill sites, and to cut the sheer volume of waste deposited in landfill by up to 90%. 10

The Commission recommended that a levy be applied to all waste deposited in landfill sites:

We are convinced that a levy on waste disposal is justifiable in order to reflect the cost to the community of the environmental effects of waste disposal and the benefit from the reduced use of raw materials and energy made possible by recycling. We would expect the cost of a levy to be passed on in charges to waste disposal authorities, and in turn passed on by them to households through higher council tax payments and to firms through charges for the disposal of commercial waste. Both households and (more directly) firms would then have an incentive to produce less waste and recycle waste materials, so reducing levels of pollution.<sup>11</sup>

The Coopers and Lybrand report, cited by the Commission, anticipated that the relative cost of landfill would rise in future years, possibly approaching or exceeding the costs of incineration. <sup>12</sup> In its view, a levy on landfill would hasten this process, especially in high landfill cost urban areas. In addition, a levy could provide a clean up fund for managing later environmental difficulties which might arise.

The Conservative Government published a White Paper on waste policy in 1995; this noted several important disadvantages to the use of landfill:

- Versatility and convenience of landfill make it less attractive for waste producers to be innovative in the way in which they deal with their wastes however well engineered, there is a finite risk of contamination from operational landfill sites;
- Landfill gas can pose significant risks including release of methane, an important greenhouse gas, into the atmosphere; after landfilling, the land may retain some contamination and so be unsuitable for some uses;
- Noise, odour and unsightliness, and vehicle movements, may cause nuisance, in common with all waste disposal and recovery activities, and; energy recovery from landfill is less efficient than some other disposal options such as incineration.

The white paper also noted that landfill had certain advantages over alternative methods of waste disposal: it was inexpensive and suitable for a wide range of wastes, with a large capacity remaining in some areas of the country. Well-designed sites could be unobtrusive. Furthermore, landfill gas provided a clean source of fuel for heat and power generation, and restored land provided valuable space for wildlife and leisure activities.

# 2 Consultation on the new levy (1995)

In March 1995 the Conservative Government published a consultation paper on a landfill tax. The paper argued that an ad valorem charge, rather than a specific duty charged by reference to weight or volume of waste disposed, offered "the best balance between

Leaching is the run-off of pollutants in water from decomposing waste, often caused by rainfall, which can cause serious damage to rivers and streams. Incinerated waste in the form of slag and ash is biologically inactive by comparison with raw municipal waste.

<sup>&</sup>lt;sup>11</sup> Cm 2181 May 1993 para 9.34

<sup>&</sup>lt;sup>12</sup> DoE, Landfill costs and prices: correcting possible market distortions, NS 8852 February 1993 piii

<sup>&</sup>lt;sup>13</sup> Making Waste Work Cm 3040 December 1995 p62

environmental justification and practical feasibility."<sup>14</sup> In particular, it was suggested that an ad valorem tax would provide "a straightforward proxy for the environmental impacts of landfill disposal", have lower compliance costs, and would be easier to police than other possible taxes.

However, a number of respondents to the paper argued that the practical effects of an ad valorem tax might well conflict with the environmental objectives of the Government in introducing it; namely, it would encourage those disposing of waste to use the cheapest sites, sites which most likely have lower environmental standards, to incinerate waste rather than bury it, with its own environmental consequences, and to indulge in the illegal tipping of waste. It would also hit those local authorities who had to deal with waste management in areas where land is relatively scarce for landfill sites. As a consequence in August 1995 the Government proposed that the tax would be weight based, charged per tonne of waste, and that inert waste would be subject to a reduced rate of tax. This change in policy was generally welcomed, especially by the National Association of Waste Disposal Contractors.

In the development of the tax, two issues were of particular concern: the cost of the tax to local authorities; and, the impact of the tax on the incidence of 'fly-tipping' – the illegal dumping of waste. In the consultation exercise on the new tax, the Government argued consistently that for the tax to achieve its purpose, it would have to affect the behaviour of all those who use landfill sites – *including* local authorities. For example, in a long written answer in March 1996 the then Paymaster General, David Heathcoat-Amory noted, "the underlying purpose of the tax is to make environmental costs [of waste disposal] explicit and ensure that those contemplating activities with environmental impacts take account of those costs. The tax will also provide an incentive for waste producers to look for new ways to reduce the amount of waste they produce."<sup>17</sup>

Nevertheless local authorities raised concerns about the impact of the proposed new charge, as noted in a report on the consultation exercise published in September 1995:

Local authorities were particularly active in expressing their views and concerns, which included:

- fly-tipping cost of policing and removal;
- cost of the tax and how it will be met, including the gap between the tax burden and benefit of employers' national insurance contributions (NICS) reductions, although there was a great deal of uncertainty about the net financial impact;
- whether local authorities will be able to pass on the cost of the tax to householders via the Council Tax; and
- the lack of incentive that the tax offers to those ultimately producing waste to change their behaviour, particularly householders. 18

The Government's response to these concerns was set out in this report:

HM Customs and Excise, Landfill Tax - A Consultation Paper, March 1995 p5. At the time the department had responsibility for administering indirect taxes. In April 2005 it was merged with the Inland Revenue to form a single revenue authority: HM Revenue & Customs.

<sup>&</sup>lt;sup>15</sup> HM Customs & Excise press notice, *Chancellor strengthens landfill tax*, 2 August 1995

<sup>&</sup>lt;sup>16</sup> "Landfill tax to be based on weight", *Financial Times*, 3 August 1995

<sup>&</sup>lt;sup>17</sup> HC Deb 12 March 1996 cc 550-552W

<sup>&</sup>lt;sup>18</sup> Landfill Tax - Report on Responses Received to Consultation Paper, September 1995 pp 4-5

The Government recognises taxes will never be universally popular but welcomes the support received for the tax which it believes will help curb damage to the environment. This will be introduced as planned on 1 October 1996 ... The concerns of local authorities are also understood by the Government. Local authorities are responsible for the collection and disposal of household waste, and it is recognised that the cost of the tax in respect of such waste that is landfilled will fall on them. The proposed reductions in employers' NICs will affect local authorities and, over the coming months, the Government will address the issue of the financial impact of the tax on local authorities in the context of the local government finance settlement. 19

The then Paymaster General also addressed these concerns, when the tax was debated in the House in January 1996; on this occasion, Mr Heathcoat-Amory said, "there are bound to be winners and losers. Not all businesses or types of business will unequivocally be winners because they will incur landfill tax charges that are greater than any benefit that they receive in national insurance contributions. That is true for local authorities as a whole."20

Respondents to the consultation paper were also particularly concerned about fly-tipping:

Concern over fly-tipping was one of the most common themes in responses received. 273 respondents (38 per cent) believed that the tax could or would lead to an increase in fly-tipping. Of these, 187 were from local authorities (57 per cent of local authorities who replied). Thirteen site operators also believed that the tax might increase flytipping, as did a number of trade associations.

The following concerns/questions about the fly-tipping issue recurred within these replies:

- · Fly-tipping will increase which will be detrimental to the environment and thus counter to one of the main objectives of the tax.
- Who will remove fly-tipped waste and who, if anyone, will pay the tax on it?
- Both local authorities and Customs will find it difficult to detect and enforce any penalties given their lack of resources.
- Greater policing and penalties must be introduced to deal with fly-tipping.<sup>21</sup>

At the time the Government conceded that fly-tipping could be a problem, but that the existing regulatory regime would be sufficient deterrent against its growth:

Other countries which have a landfall tax in place appear not to have significant problems with fly-tipping, although the Government is naturally concerned to see that waste disposal methods are adequately policed after the introduction of the tax. The main security against fly-tipping is the regulatory framework. Regulations implemented on 1 May 1994 introduced a new waste management licensing system. These controls, along with section 34 of the Environmental Protection Act 1990 and the associated duty of care for waste which came into force on 1 April 1992, are intended to address the problem of fly-tipping, amongst other matters. They should provide a strong regulatory framework to support the new tax. Further thought will be given to the policing of the landfall tax and of waste disposal methods over the coming months.<sup>22</sup>

The Government reiterated its position at the time of the November 1995 Budget:

op.cit. p6

<sup>&</sup>lt;sup>20</sup> HC Deb 23 January 1996 c 170

Landfill Tax - Report on Responses Received to Consultation Paper, September 1995 p 4

<sup>&</sup>lt;sup>22</sup> op.cit. p 6

The Government has also responded to concern expressed during the consultation exercise that fly-tipping may increase as a result of the tax. The current waste management licensing system and duty of care for waste provide a strong regulatory framework to support the tax. Fly-tipping is already a criminal offence and the Government therefore sees no need to make it a revenue offence in tax law. However, it will take further steps to combat fly-tipping when the tax is implemented. In particular, the Environment Agencies will be asked to give a high priority to the prevention of fly-tipping. The courts will be reminded about the environmental impact of fly-tipping and the financial gains which are made by perpetrators.<sup>23</sup>

Further details were given in a written answer in June 1996:

**Sir David Steel:** To ask the Secretary of State for the Environment if he will make a statement outlining the respective roles of his Department and the new Environment Agency in implementing the landfall tax, with special reference to what new steps will be taken to prevent illegal dumping and fly tipping in the countryside, and to relieve landowners on whose property such waste is deposited from liability to pay the tax when they transport it to designated landfall sites.

**Mr. Gummer:** My Department is responsible for the overall regulatory framework for waste management in England and Wales. Regulations implemented on 1 May 1994 introduced a new waste management licensing system. The associated duty of care for waste came into force on 1 April 1992. The penalties that can be imposed for offences relating to waste are already severe, and these controls provide a strong regulatory framework to support the introduction of the landfill tax. My Department will also write to the courts before the start of the tax on 1 October 1996, to draw their attention to the financial gains that can be made by those who dispose of waste illegally.

The Environment Agency is the competent authority for the purposes of waste management licensing. The agency has the resources and the expertise to advise on the legal and sound management of waste, to investigate offences and to carry out enforcement action. The Government's guidance to the agency on its objectives and contribution to sustainable development, which will be laid before Parliament very shortly, will clarify its role in this area. Ministers will expect the agency to act upon its powers and to review procedures for preventing and handling cases of fly tipping. The Government have no plans to relieve the occupiers of land on which waste is deposited illegally from liability to pay landfall tax where they dispose of the waste to licensed landfall sites.<sup>24</sup>

Despite these assurances, both these issues - the impact of the tax on local authorities & fly tipping - continued to be of concern after the tax's introduction.<sup>25</sup>

In its consultation paper, the Government also proposed the use of the new tax to encourage the development of Environmental Trusts: non-profit making distributing bodies, in the private sector, making grants to restore closed landfill sites, and financing research into more sustainable waste management practices.<sup>26</sup> In the November 1995 Budget, it was announced that tax rebates for landfill operators would be given for making payments to

<sup>&</sup>lt;sup>23</sup> HM Customs & Excise press notice, *Budget 1995: Landfill Tax - Using Market Forces to Help the Environment*, 28 November 1995

<sup>&</sup>lt;sup>24</sup> HC Deb 11 June 1996 cc114-115W

 $<sup>^{25}\,\,</sup>$  See, for example, HC Deb 24 March 1999 cc243-245W

<sup>&</sup>lt;sup>26</sup> Landfill Tax: A Consultation Paper, March 1995 p11.

trusts for specified environmental improvements, such as remediation of closed landfill sites when liability is unclear, research into new waste technologies, or pilot projects for waste minimisation, recycling, composting and energy recovery. Site operators would be able to claim a rebate of 90 per cent of their contribution, up to a maximum of 20 per cent of their landfill tax bill.<sup>27</sup> As it transpired, the 'landfill tax credit scheme' was strongly criticised for being over-complex and under-regulated – and was substantially reformed in 2003.<sup>28</sup> Details on the scheme's successor, the landfill communities fund, is provided by its regulator, ENTRUST on its website.<sup>29</sup>

#### 3 The introduction of the tax on 1 October 1996

In his Budget speech on 28 November 1995, the then Chancellor, Kenneth Clarke, confirmed that the new tax would come into operation on 1 October 1996:

Last year I proposed a new landfill tax, which is a charge on the disposal of waste in, for example, tips and old quarries. That will come into effect on 1 October 1996. It will be charged at a standard rate of £7 a tonne and a lower rate of £2 for inactive waste. That is a tax on waste in order to enable me to reduce the tax on jobs. The money raised by the landfill tax will allow for a matching cut in the main rate of employers' national insurance contributions by a further 0.2 per cent to 10 per cent from April 1997. That will cut the cost of employment by half a billion pounds and will make it cheaper for businesses to create new jobs. 30

The Government published a compliance cost assessment on the impact of the new tax on business – specifically, the new obligations placed on site operators to account for the tax. It concluded that "given the extent to which the tax will fit in with existing practice", implementing waste management regulations and accounting for VAT to Customs, "the cost of complying with the tax should be very low." It went on to note that the two main policy alternatives to a tax - tighter regulation, or requiring the industry adopt alternative practices - "would be against the spirit of the Government's deregulation initiative and would be less economically efficient than using a market-based approach." 31

The scope of the tax was refined during the progress of the Finance Bill, following the 1995 Budget. In brief, three types of waste were specified as exempt from tax - dredgings from waterways, natural waste from mines and quarries, waste from the reclamation of historically contaminated land. In addition, in March 1996 Customs published details of the types of 'inactive' waste to be charged the lower rate of tax: specifically, naturally occurring rocks and soils, ceramic or cemented materials, unused or uncontaminated processed or prepared mineral materials, furnace slags, certain ash, low activity inorganic compounds, gypsum and plaster. Mixtures that contained a small quantity of active waste would qualify for the lower rate provided the mixture posed no risk of pollution. In September, Customs announced that foundry sand - sand used in the foundry industry, and eventually discarded to landfill sites -

<sup>&</sup>lt;sup>27</sup> HM Customs & Excise press notice, *Landfill tax - using market forces to help the environment*, 28 November

<sup>&</sup>lt;sup>28</sup> HC Deb 3 February 2003 cc5-7WS

<sup>&</sup>lt;sup>29</sup> http://www.entrust.org.uk/home/lcf

<sup>&</sup>lt;sup>30</sup> HC Deb 28 November 1995 cc 1063-1064

Compliance Cost Assessment - Landfill Tax CCA 6/95, November 1995 pp 9, 11

<sup>&</sup>lt;sup>32</sup> HC Deb 25 March 1996 cc 439-440

would initially qualify for the lower rate as well, though the decision would be reviewed when further tests on foundry sand were available.<sup>33</sup>

The purpose of the tax was restated by the then Environment Minister, James Clappison, in a press notice issued on the eve of its introduction:

The landfill tax represents a significant new policy. The shift from taxing employment to taxing resources has rightly been an aim of the EU but it is the UK that is setting the pace. It marks an important step in extending the use of economic instruments to achieve environmental objectives. The central purpose of the tax is to ensure that landfill costs reflect the full cost of the environmental impact of the activity. By doing this business and consumers are encouraged, in a cost effective and non-regulatory manner, to produce less waste, and to reuse or recover value from more waste. 34

Despite the long consultation process, the new tax remained controversial. Though the overall objective of reducing dumping was welcomed by both environmental groups and the waste management industry, neither appeared certain that the tax would significantly affect the reliance on landfill by those disposing of rubbish – as the *Guardian* reported at the time:

The Environmental Services Association, the trade body which represents waste collection companies, said yesterday that the tax would add to costs and push up council tax bills. Friends of the Earth, however, said the tax was not high enough to achieve its objective of reducing the amount of rubbish dumped in landfill sites. 'It's a small green step in the right direction. But it won't really work,' said FoE campaigner Mike Childs. On this point the two sides agree. ESA chairman and chief executive, Peter Neill, said: 'I am sceptical whether isolated economic instruments will be enough to encourage sustainable waste management.' ... FoE cites a study for the Government by consultants Coopers & Lybrand which estimated that the current level of tax will increase recycling by only 1 per cent. It wants the tax set at a minimum £30 per tonne and it wants that sum also levied on incineration, to avoid the levy diverting waste from landfill sites to incinerators, which it believes are dangerous and do not encourage sustainability. The industry is concerned that now the tax is in place, the sum could easily be increased by a hard-up Chancellor, just like tax on booze or cigarettes. And it argues that a hefty landfill bill will increase illegal fly-tipping. There is not even agreement on the greenest part of the plan - the creation of Environmental Trusts, financed by up to 20 per cent of the tax revenues. Everyone agrees they are a good thing, but FoE worries that they will be supervised by a regulator largely controlled by the industry.<sup>35</sup>

## 4 Reviewing the tax in its first year (1997-98)

Following the Labour party's victory in the 1997 General Election, the new Chancellor, Gordon Brown, delivered the Government's first Budget on 2 July. In his speech, Mr Brown set out the Government's position on environmental taxes:

A country equipped for the future should also have a modern tax system based on principle. The tax system sends critical signals about the economic activities that a society wishes to promote and deter. Today I shall start to put those principles into

<sup>&</sup>lt;sup>33</sup> HM Customs & Excise press notice, *Foundry sand and the landfill tax*, 18 September 1996

<sup>&</sup>lt;sup>34</sup> HM Customs & Excise press notice, Less waste - more jobs, 30 September 1996

<sup>&</sup>lt;sup>35</sup> "Green tax fails to please anyone", *Guardian*, 1 October 1996

practice by demonstrating our commitment to the environment. As the statement of environmental principles set out by the Financial Secretary to the Treasury, my hon. Friend the Member for Bristol, South (Dawn Primarolo) - published today - shows, we are determined that our tax system and economic policies as a whole encourage the good and discourage the harmful.<sup>36</sup>

The Government's 'statement of environmental principles' was set out in a press notice:

The Government's central economic objectives are the promotion of high and sustainable levels of growth and high levels of employment. By that we mean that growth must be both stable and environmentally sustainable. Quality of growth matters; not just quantity. Delivering sustainable growth is a task that falls across government. It will be a core feature of economic policy under this administration. The Treasury is committed to that goal.

How and what governments tax sends clear signals about the economic activities they believe should be encouraged or discouraged, and the values they wish to entrench in society. Just as work should be encouraged through the tax system, environmental pollution should be discouraged.

To that end, the Government will explore the scope for using the tax system to deliver environmental objectives - as one instrument, in combination with others like regulation and voluntary action. Over time, the Government will aim to reform the tax system to increase incentives to reduce environmental damage. That will shift the burden of tax from "goods" to "bads"; encourage innovation in meeting higher environmental standards; and deliver a more dynamic economy and a cleaner environment, to the benefit of everyone. But environmental taxation must meet the general tests of good taxation. It must be well designed, to meet objectives without undesirable side-effects; it must keep deadweight compliance costs to a minimum; distributional impact must be acceptable; and care must be had to implications for international competitiveness. Where environmental taxes meet these tests, the Government will use them.<sup>37</sup>

In addition, the Government announced that it would carry out a review on the operation and the level of landfill tax, to inform future policy toward the tax.<sup>38</sup>

Following the first year of the landfill tax, there was quite a lot of evidence that the tax had been, at best, a qualified success. The following pages summarise the findings in three reports which looked at the impact of the tax, published by the accountants Coopers & Lybrand, the lobby group Friends of the Earth, and the Confederation of British Industry.

First, in December 1997 the accountants Coopers & Lybrand produced a survey on the first months of the new levy; the results were summarised in the *Tax Journal*:

The survey suggested that a large majority of waste producers have not even tried to reduce the amount of taxable waste since the introduction of the tax. Additionally, the tax has resulted in a measurable increase in fly-tipping (a trend mirrored in several other surveys since) and it is imposing further costs on business. All three consequences are diametrically opposed to the government's original intentions for the tax, to make producers 'aware of the true costs of their activities, and so have an incentive to reduce waste and make better use of the waste they produce'.

38 ibid

<sup>&</sup>lt;sup>36</sup> HC Deb 2 July 1997 c 311

HM Treasury press notice, *Tax measures to help the environment*, 2 July 1997

Few could argue with the philosophy that the polluter should pay, but the tax alone is simply not high enough to persuade waste producers to change their behaviour and either reduce their taxable waste, or invest in alternative and expensive disposal/recycling methods. As a result, landfill tax is quietly being recognised as a cost to business and recharged to customers. Behaviour change in this instance requires capital investment – and this will only arise if the boardrooms of the waste producers recognise that it is impractical or disadvantageous to pass the tax on to consumers and that alternatives to landfill should be investigated and invested in.

This presents the waste producers with a dilemma. What are the alternatives to landfill: less waste; incineration (if practical) or recycling. Arguably, incineration is just as damaging to the environment as landfill (and could itself fall under an emissions tax in the future). And where is the recycling market if the waste producers follow that route? All of these alternatives look expensive and capital intensive. The waste management industry recognises that the government is likely to increase landfill tax and has asked the Chancellor to live up to his promise of open Government and announce any increase in the tax (preferably staggered over a number of years) sufficiently far in advance to allow companies to react effectively and to plan their capital investments.

Several oddities also presently exist in landfill tax legislation which are highly contentious to the affected parties. Under present rules, landfill site operators have found themselves in the absurd position of having to pay landfill tax themselves in order to comply with the terms of their waste management licence, such as through daily capping and site engineering using materials which Customs & Excise perversely define as waste. Equally absurd, landowners and developers are being discouraged from carrying out reclamation of land which is not polluted but is still to the benefit of the environment because of the additional landfill tax cost.

What landfill tax has also shown is that there may be a place for hypothecation in our tax system. It allows landfill site operators to receive landfill tax 'credits' where they make contributions to approved environmental trusts. Slow to take off, there is now anecdotal evidence to suggest that these trusts are working quite well. There is room for improvement with this system – for example, we have suggested to government that the rebate to contributors should be increased from 90% to 100% to encourage more landfill site operators to make contributions to approved environmental trusts. There is also a need to clarify the corporation tax treatment of contributions; allowing corporation tax relief for all contributions made to environmental bodies by landfill site operators would cost the government relatively little in lost revenue, but win it some 'green' credibility.<sup>39</sup>

In November 1997 the environmental lobby group Friends of the Earth also published a report on the tax's first year. Based on a survey of waste management companies, landfill operators and local authorities, the authors found that the tax had had a limited impact on waste management, and proposed that not only should the rate of tax be increased, but that it should be 'flanked' by new taxes on incineration and the quarrying of aggregates. Extracts from a summary of the report are reproduced below:

Most of the major landfall operators were interviewed by ECOTEC, <sup>40</sup> as was the Environmental Services Association (ESA – the trade body). A major concern of the waste companies has been the diversion of inert waste from landfill (the ESA estimate

<sup>&</sup>lt;sup>39</sup> "How green is Mr Brown?", *The Tax Journal*, 8 December 1997

<sup>&</sup>lt;sup>40</sup> ECOTEC Research and Consulting Ltd - commissioned by FOE to do the survey.

that 18 million tonnes of inert waste, out of 42 million tonnes disposed of in 1994, has been diverted). Landfill companies use inert materials for engineering purposes. Because of the 'shortage' of inert materials and the tax on inert wastes some companies are now using more virgin aggregate (which are very cheap) ... There is also concern that much of this inert waste - and other wastes, including contaminated wastes – is being used in activities that are exempt from waste management licensing (landscaping, bunding, golf courses, farmland improvements, construction projects) ... ECOTEC interviewed 72 companies and one of the principal concerns that emerged from the survey is that the tax is simply lost as noise in the overall cost structure of a given enterprise. For most industrial sectors, the impact of the tax relative to companies' total turnover is minuscule, ranging from 0.01 per cent - 0.08 per cent. Despite this, the tax is having some impact. Around one third (31 per cent) of companies surveyed have begun, or stepped up re-use, recycling and/or minimisation. 29 per cent of companies were already engaged in re-use, recycling and minimisation, but the research suggests that the landfall tax at its current level has done little to increase activity in this area. Most worryingly, 40 per cent of companies have done little to reuse, recycle or minimise their waste. It appears that the greatest response to the tax is from those sectors where waste costs as a percentage of turnover are significantly higher than other sectors (for example, foundries) ...

The response by local authorities to the tax is complicated by the fact that they have little control over the quantity of waste arising from waste producers (householders) because they can not charge individual households for the amount of waste produced. In addition, waste collections authorities (district councils) have little incentive to reduce waste arisings because they do not pay for disposal of waste (the cost is borne by the waste disposal authority – the county council) ...

The authors went on to identify "6 barriers that are impeding the impact of the tax":

#### Lack of well-developed alternative options

At least three of the players surveyed from the waste management industry saw the tax as a way of moving their industry towards providing waste minimisation services instead of merely providing disposal services. Unfortunately some of the waste producers surveyed were sceptical of this move. Local authorities recycling rates seem to be more related to the commitment of councillors in a particular area rather than the cost of landfall disposal ... A number of local authorities are now looking to incineration as a way of reducing, the landfilling of waste. Friends of the Earth is concerned that the landfall tax does not lead to waste being shifted from landfall to incineration. Incineration still represents a waste of resources and there are genuine concerns with emissions. Certainly the landfill tax and the subsidies for some incinerators (through the NFFO scheme <sup>41</sup>) has made incineration more attractive for local authorities but it is still more expensive than landfill in most areas ...

### Lack of information

A positive impact of the landfill tax is that it has clearly made some companies take note of their waste streams and the costs of their disposal where they had not done so before ... Work by ECOTEC has shown that time and time again there are technologies and techniques that firms could adopt today which would cut waste and increase their profits considerably but are not being taken up. One of the reasons for this is that, in a response to the tax, some enterprises may perceive, often wrongly, that the costs of seeking, the information they need is beyond what they can afford ...

<sup>&</sup>lt;sup>41</sup> The Non Fossil Fuel Obligations (NFFO) scheme was designed to ensure a diversity of electricity supply from non fossil fuel and is funded by the Fossil Fuel Levy.

#### Investment costs

Even if a company can see that investments make environmental sense, the pay-back time in waste minimisation investments may not pass a cost-benefit analysis test which uses a very high discount rate. A greater understanding of how disposal costs will change overtime with increases announced in advance could help overcome this hurdle.

### Pass through of the tax

In the case of householders it is clear that without variable charging – which the 1992 Environment Protection Act prevents – there is no effective pass through of the tax to householders and hence no incentive for them to reduce the quantity of the waste they produce. Many commercial and small industrial units simply pay for disposal as part of their rent or by the size of container. Where they are charged by container it is not necessarily weighed, therefore again failing to send strong signals regarding waste minimisation. If the tax is increased that could lead to more calls for waste disposal charged on a weight basis and increase the demand for on-vehicle weighing systems in the waste management industry.

#### Institutional culture

ECOTEC found that in some larger companies decisions on waste are given low priority and are left at individual plants to individual managers. This may partly be why the tax is seen as a burden on industry rather than an instrument designed to illicit a response. Whilst local authorities are often simply trying, to find the low cost route for their waste there does seem a cultural blockage to moving away from disposal to recycling and composting. This may be because those people involved in waste functions at local authorities have been brought up to be committed to disposal options. Disposal options may also be seen as easier because they involve less change (increased recycling will involve changes in collection schemes whilst disposal options will not). Clearly these cultural problems will dampen the effects of the tax.

#### Level of the tax

If the tax was set to capture externalities then, in Friends of the Earth's view, it has failed to do that ... If the tax were set to achieve policy objectives – presumably those in the waste strategy – the ECOTEC survey suggests that the tax is not achieving its objectives. A key conclusion from the research is that the tax should be increased and extended to cover incineration."<sup>42</sup>

In the light of this work, FOE made five recommendations:

- The tax should be used to meet strategic targets.
- The tax should be increased.
- A tax on incineration should be introduced and the NFFO subsidy removed.
- Review the regulations on exempt activities and introduce an aggregates tax.
- Review the Environmental Bodies scheme.

Finally, in March 1998 the CBI published a report which criticised landfill tax as too blunt an economic instrument to deal with the pollution problems caused by landfill, as reported by the *Financial Times*:

A CBI working-group on green taxation said the levy was 'not a good environmental economic instrument' because it did not target the specific environmental problems associated with landfill use: the emission of methane gas and water pollution ... The

<sup>&</sup>lt;sup>42</sup> Friends of the Earth, *Taxing waste: making the landfill tax work*, November 1997

CBI discussion paper says environmental economic instruments - a broad category which includes not just taxes but tradeable pollution permits - could be justified when:

- \* They could have a 'significant effect' on a clearly defined environmental objective and producers and consumers were failing to bear the full cost of the pollution they created.
- \* They were based on sound science even if, as in the case of global warming, absolute certainty about a problem was not available. For instance, Professor Davies<sup>43</sup> said the group supported a 'rebasing' of excise duties on energy taxes according to their carbon content, a tentative measure of their contribution to climate change. This could mean increasing taxes on coal vis a vis gas and phasing out coal subsidies paid by Germany and Spain.
- \* They did not increase the overall tax burden of business and society or harm British competitiveness.<sup>44</sup>

## 5 Changes announced in the 1998 Budget

In his Budget speech on 17 March 1998 the then Chancellor Gordon Brown announced a number of changes to the tax, in the light of the review which had been completed by HM Customs & Excise into its environmental impact:

Last year, we commissioned work on the environmental costs of the quarrying of aggregates, and on the options for dealing with water pollution. Detailed results will be published in the near future by my right hon. Friend the Minister for the Environment. We already know that we need to do more to reduce the amount of waste going to landfill, so I shall raise the standard rate on active waste from £7 to £10 per tonne from 1 April 1999. Consistent with our environmental objectives, from October next year I am exempting from landfill tax the inert waste used in the restoration of sites.<sup>45</sup>

Further details were given in a press notice issued at the time:

The Chancellor today announced a number of changes that are to be made to the landfill tax to make it more effective as an environmental tax.

- the standard rate of landfill tax will increase from £7 to £10 per tonne from 1 April 1999:
- the lower rate is frozen at £2 per tonne; and
- inert wastes used in the restoration of landfill sites and quarries will be exempt from landfill tax from 1 October 1999 ...

The revenue effect of this measure will, on an indexed basis, be a reduction in the revenue yield of £5 million in 1998/99, and an additional revenue yield of £50 million in 1999/2000 and £60 million in 2000/01. On a non-indexed base, there will be no revenue effect in 1998/99. The impact on RPI will be negligible ...

These measures result from a review of landfill tax and its environmental effects which took account of the concerns of local authorities, environmental groups and the waste management industry. In the light of the emerging new national waste strategy and

 $<sup>^{\</sup>rm 43}$  Peter Davies, Chief Economist at British Petroleum, who chaired the working group.

<sup>44</sup> Coming Clean: Using Market Instruments to Improve the Environment, March 1996; "CBI experts condemn landfill tax for lack of targeting", Financial Times, 13 March 1998

<sup>&</sup>lt;sup>45</sup> HC Deb 17 March 1998 cc 1108-1109

new European targets on the reduction of active waste landfilled, further consideration will be given as to whether further rate increases are necessary to help meet targets for reducing reliance on landfill.

The review also recognised the success of the Environmental Bodies Credit Scheme in funding environmental projects. Customs will consult with interested parties in 1998 to see whether the scheme could be further improved. In particular, the Government is interested in examining how the scheme could be used to encourage more recycling.<sup>46</sup>

At the time there was a rather limited response to this announcement, partly as those favouring the use of economic instruments to further environmental ends were disappointed that the Budget did not contain other specific proposals, such as a tax on aggregates. (A levy on aggregate extraction was first mentioned in the 1997 Budget. Protracted negotiation with the quarrying sector on alternative measures to mitigate its environmental impact resulted in the levy only being introduced in 2002). In addition many in the industry appear to have been expecting changes along these lines, as they had been actively involved in the Government's review of the tax. 48

Alongside the Budget, the Government published a paper on its review; this reported that respondents had been particularly concerned about the tax treatment of inert material, used in the construction of landfill sites, and also about whether the tax was far too low to be having any discernible impact on behaviour:

The single most commonly raised issue was that of the tax treatment of inert wastes used for constructing, operating and restoring landfill sites. We accept that the tax has contributed to a shortfall in the availability of suitable material, and that this has caused a problem in particular for the restoration of landfill sites, including the filling of mineral workings with inert waste. We therefore recommend that inert wastes used to restore sites and to fill old and existing mineral workings should be exempted from landfill tax. We also recommend that, in order to effectively ring fence the exemption and exclude waste used in site engineering or daily cover, it should be introduced from October 1999 (allowing for details of its operation to be discussed with the trade and for the introduction of supporting secondary legislation).

Representations were made that the scope of the tax should be extended to uses of inert construction and demolition waste in activities such as the building of golf courses, which are exempt activities under the Waste Management Licensing Regulations 1994 (WMLR). We consider that there are good reasons of environmental principle, as well as significant practical difficulties, that militate against this. We recommend that the tax is not extended to activities exempt under WMLR. However, we recognise that there are steps falling short of this that should be considered, and we so recommend. In particular:

- Customs will consider the case for taxing abuses of WMLR exempt activities where
  it is proved that a waste disposal licence should have been in force and will advise
  Ministers in due course.
- Customs will discuss with the Department of the Environment Transport and the Regions (DETR) whether proposed policy planning guidance on waste can be

HM Customs and Excise Budget press notice C&E19, 17 March 1998

<sup>47 &</sup>quot;Seeing red over Brown's green stance", Guardian, 23 March 1998; "Laying waste: the landfill tax", Independent, 25 March 1998

<sup>48 &</sup>quot;Recyclers welcome landfill tax hike", *Investors Chronicle*, 20 March 1998

amended to advise planning authorities on the WMLR exemptions, the potential for control and clarification of the scope of the existing activities.

The other main issue of concern in the review was the question of the appropriate rate of landfill tax, particularly on active waste. The current rate of £7 per tonne is based on an estimation of the environmental cost of landfill as a waste disposal option. Many respondents considered, however, that the rate would need to be much higher if it were to influence behaviour away from landfill towards re-use, recovery or recycling. We found some evidence that the tax is already beginning to have an effect, especially on commercial and industrial waste. But we concluded that, with new, tougher targets for reducing reliance on landfill expected later this year, there was a case for increasing the rate.

We also accepted the arguments of those, particularly local authorities, who urged the case for adequate notice of rate increases. We recommend that the basis of calculation for tax rates should shift towards setting rates that will help achieve environmental targets. We recommend that rate increases should generally be announced well in advance of the intended date of implementation.

We accordingly recommend that the standard rate of tax be increased to £10 per tonne from 1 April 1999. We also recommend that consideration be given to further increases in the standard rate of tax, as a potentially cost-effective means of meeting targets arising from the proposed EU Landfill Directive and the revised national waste strategy; and that consideration be given to setting out a programme of such increases over a number of years. We recommend that there is no increase in the lower rate at present as the current £2 per tonne rate is significantly affecting behaviour.

Respondents had also raised concerns about the coverage of the lower rate and the existing exemptions from the tax, though the department saw no case of any major changes:

Some respondents argued for inclusion of particular wastes or waste streams in the lower rate (£2 per tonne), although they are not inactive - usually on economic grounds. We believe that, on environmental grounds, the lower rate should continue to apply only to inactive wastes. We do not recommend extending the lower rate, but Customs will investigate cases where a claim is made that the waste is in point of fact inactive. We recommend that no further rates of tax are introduced. The straightforward distinction between active and inactive wastes should remain the determining factor for rates.

As part of the review we examined the operation of the four exemptions from the tax. We believe that rationales for the pet cemeteries, mining and quarrying, and dredging exemptions still remain valid. We recommend that these exemptions are retained.

The fourth exemption, for contaminated land, was always intended to be temporary, pending the development of commercially viable on-site remediation techniques. We found that it was too early to form a judgement as to when such techniques will provide a realistic alternative to landfill. In the light of future developments in remediation, such as the CONSEPT project sponsored by DETR, which will commercially test remediation techniques at a number of working sites, we recommend that a full review of the contaminated land exemption should be delayed until the year 2000. A number of respondents argued for exemption from the tax for particular wastes or wastestreams, usually on economic grounds. We recommend that no further exemptions are

granted at this time. Customs will consider cases where business's international competitiveness could be at risk and advise Ministers in due course. 49

In November 1997 the Environmental Audit Committee was established, "to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development: to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House." When the Committee took evidence on the Pre-Budget Report in January 1999, Joan Walley MP asked the then Economic Secretary to the Treasury, Patricia Hewitt, about the operation of the tax – specifically, on the rationale for maintaining the duty differential between active and inert waste:

53. **Joan Walley** ... We feel that there might be a potential conflict between the aims to reduce the amount of waste going to landfill through putting up the cost and the introduction of an exemption for inert waste which reduces the cost again. There is concern about the costs of all of this and the amount of dumping. We want to avoid dumping as much as possible. What led to the introduction of this measure being brought forward and what impact is the exemption expected to have on Landfill Tax revenue and alternative uses for inert waste? ....

(Ms Hewitt) The purpose of having this very big differential between the rate of tax for live waste and for inert waste, the £7 to £2 differential, is because the two kinds of waste have quite different environmental impacts. I think all of us will be aware, particularly as constituency MPs, of the problems caused when there is house building, for instance, on landfill sites and you start getting methane gas released and all of those difficulties.

With inert waste there is a need with landfill sites for instance on mineral workings to attract suitable inert waste for restoration and for backfilling of quarries so that those companies and those operators can meet their planning obligations and having, for instance, conducted maybe over several years a quarrying operation can then fill that site, minimise the damage to the landscape, meet their planning obligations and enhance the local environment, and for that purpose they need inert waste, and that seems to me to be an environmentally beneficial use of waste for management purposes and that is the reason why there is that differential.

**54.** Could you say what you expect the impacts of this exemption to be on landfill revenue? Have any calculations been made about that?

(Ms Hewitt) I think one of the effects of the tax has actually been a shortage of suitable inert waste for restoration and backfilling and we are looking at that as part of the review of the Landfill Tax generally. You also raised the issue of fly-tipping and waste dumping. There are anecdotal reports of an increase in fly-tipping as a result of the introduction of the Landfill Tax. I have certainly not yet seen any really hard or solid evidence as to whether this is a serious problem and one that is wholly or directly attributable to the Landfill Tax and that is something, as I say, we are continuing to try and research and evaluate.<sup>51</sup>

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<sup>49</sup> HM Customs & Excise, Landfill Tax, March 1998 pp2-3

Environmental Audit Committee press notice no.1, 25 November 1997

<sup>&</sup>lt;sup>51</sup> 16 February 1999 HC 93 1998-99 pp 11-12

In the 1998 Budget the Government also announced that landfill tax would be subject to the *Provisional Collection of Taxes Act 1968*, in line with other taxes such as VAT and excise duties. <sup>52</sup> The Act allows changes in tax and duty rates announced in the Budget to be implemented by resolution pending Royal Assent to the Finance Bill. This means that any changes to the rates of landfill tax in future Budgets can be brought into effect earlier than the date of Royal Assent, if the Government of the day so chooses. Legislation to this effect was included in section 148 of the *Finance Act 1998*. When it was discussed at the Committee stage of the Bill, David Heathcoat-Amory raised two objections to the measure:

Raising the tax is not like putting up the tax on cigarettes. The increase will interfere with several pre-negotiated contracts, which may be binding, and with the costings on which people have legitimately relied ...

I clearly remember rejecting the advice that the tax should be subject to the *Provisional Collection of Taxes Act 1968* because I thought that it was right for the powers to remain with the House of Commons. The Minister might say, "Parliament will decide whether to support the increase, and it could decide to reject it." However, we all know in practice that that is not likely to happen. The debate will take place after the increase, and it will in practice almost certainly not be possible to protect the interests of those who will be affected by the tax increase. It is right and fair for Parliament to debate the proposals before the tax increase takes effect. <sup>53</sup>

In response, the then Paymaster General, Geoffrey Robinson pointed out that, in cases where the rate of tax changed after a contract had been drawn up, "automatic adjustment of contracts is legislated for" <sup>54</sup>, and that the arrangements allowed under the *PCTA* represented, "a perfectly normal arrangement, which will not stop us from consulting; it will not pre-empt any decisions and it does not mean that we will apply an escalator to the tax, as we do to some of the other taxes that come within the scope of the PCTA." <sup>55</sup>

In June 1998 the Government published a consultation paper on its strategy for dealing with waste: *Less Waste: More Value*. The paper listed a number of commitments, including, "more creative use of economic incentives, possibly for the landfill tax revenues to fund recycling." The paper also asked for views on "what is the appropriate basis for setting the long-term level for the tax." <sup>56</sup>

### 6 The 1999 Budget: a duty escalator

In his March 1999 Budget the Chancellor Gordon Brown announced that the standard rate of landfill tax would be increased by £3 to £10 per tonne from 1 April 1999, and that "to reduce the amount of waste going to landfill, the landfill tax ... will in future rise by £1 per tonne per year." The new duty rate 'escalator' would apply for at least a further 5 years when, by 2004, the standard rate would be £15. At the time it was estimated that the one off £3 increase in the standard rate would raise £95m in 1999-2000, and that the introduction of the

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<sup>&</sup>lt;sup>52</sup> HM Customs and Excise press notice, *Action to improve environmental benefits of landfill tax*, 17 March 1998

<sup>53</sup> Standing Committee E 18 June 1998 c 928

<sup>&</sup>lt;sup>54</sup> Under paragraphs 45 & 46 of schedule 5 to the *Finance Act 1996* 

<sup>55</sup> Standing Committee E 18 June 1998 c 943

Department of the Environment, Transport and the Regions, Less Waste - More Value Consultation Paper on the Waste Strategy for England and Wales, June 1998 para 3.3.6

<sup>&</sup>lt;sup>57</sup> HC Deb 9 March 1999 c 182

five year escalator would raise £45m in 2000-01 rising to £85m in 2001-02. By way of comparison, total receipts from the tax were £400m in 1997-98.<sup>58</sup>

Further details were given in a press notice, from which the following is taken:

Landfill tax is a key part of the Government's forthcoming Waste Strategy, to be published in May 1999. The new Waste Strategy will put the UK on course towards the sustainable waste management system that we need to resolve one of the key environmental challenges of the next century. The Waste Strategy involves a programme of increases in landfill tax to encourage the development of alternative waste management practices.

The tax on a tonne of active waste over the next six years will be:

1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
£10	£11	£12	£13	£14	£15

The rate increase builds on the important role played to date by the tax with almost a third of companies considering waste minimisation, re-use and recycling following its introduction. Analysis to date suggests that a long term programme of increases in landfill tax could significantly reduce the proportion of waste expected to be landfilled...

As tax liability rises due to increased tax rates more funds become potentially available under the scheme. Operators can claim up to 90 per cent tax credit against donations they make to environmental projects, subject to these credits not exceeding 20 per cent of their annual landfill tax bill. From 1 August 1999 operators using the scheme will have up to an additional month every quarter to claim tax credits. They can also have contribution years that match their accounting years. Further technical changes will be made to give greater transparency.

The lower rate of tax has had effects, with the re-use and recycling of construction waste at an all time high. However, it has also led to a shortage of materials for the restoration of landfill sites, in particular for filling mineral workings, which has an adverse environmental impact. To address this problem, an exemption for inert waste used to restore landfill sites and fill working and old quarries (announced last Budget) will be operative from 1 October 1999.<sup>59</sup>

At the time there was a rather limited reaction to this measure. In their response to the Finance Bill that year, the Confederation of British Industry simply commented, "We are already involved in discussions with Customs and Excise on the details of this tax" The Institute of Directors commented, "We regret the increased burden on business caused by the increase in landfill tax. The Government should give increased certainty by announcing that the pound a year escalator announced on Budget Day will definitely stop in 2004, rather than leaving open its continuation after that year."

By contrast, in their response to the Budget, Friends of the Earth saw the changes to the landfill tax as part of a much wider strategy by the Government:

<sup>&</sup>lt;sup>58</sup> HM Treasury, *Budget* 99, HC 298 March 1999 p 155 p 120 p 113

HM Customs & Excise Budget press notice C&E5, 9 March 1999. Provision to increase the rate of landfill tax is made in section 124 of the *Finance Act 1999*. This was scrutinised at the Committee stage of the Finance Bill on 15 June 1999: SC Deb (B) cc 620-40.

<sup>&</sup>lt;sup>60</sup> CBI, The Finance Bill 1999: CBI reactions and proposals, May 1999 p14

<sup>&</sup>lt;sup>61</sup> Institute of Directors, *Representations on the Finance Bill 1999*, 23 April 1999 p19

This year's Budget was Britain's greenest ever, a new analysis by Friends of the Earth reveals ... Both the Chancellor and media commentators played down the significance of the environmental changes he announced. But in fact there were twenty-two green measures in the Budget, <sup>62</sup> more than for any area of policy - including encouraging enterprise and employment, and supporting the family. The Chancellor can expect to raise at least £8.4 billion net from green tax changes over the next five years. FOE has described the Budget as strong in taking a long-term environmental view; in shifting taxation from "goods" such as jobs to "bads" such as resource waste and environmental pollution; and in extending the polluter pays principle. However, FOE has criticised the Chancellor for failing to use revenues from green taxation to fund essential environmental infrastructure and services, including public transport and a nationwide energy conservation programme targeted at the fuel poor.

Commenting, FOE Executive Director Charles Secrett said: "This Budget put the environment at the heart of economic policy-making. This is a vital change in the direction of Britain's economic policy, perhaps the most important since the Second World War. Yet it has not been properly appreciated either by the economics profession or by economics commentators in the media. There is a great deal for the Chancellor still to do - for example, there is little environmental point in taxing cars more heavily if the revenue is not used to invest in public transport. There will be a great deal of opposition. Grossly polluting companies are often wealthy and politically powerful. But green economics is here to stay. It deserves to be at the centre of media coverage of economics, because it is now at the centre of Government policy." 63

<sup>[</sup>Two of which were the introduction of an escalator for landfill Tax, and the reforms to the tax credit scheme to increase recycling.]

<sup>&</sup>lt;sup>63</sup> FoE press notice, *It was greener than you think*, 17 March 1999