

Waste taxation

This audit concerned the functioning of the waste taxation system. The Waste Tax Act has been in force since 1996. Waste tax was introduced as a new incentive-type environmental tax. Waste tax revenue totalled 41 million euros in 2003. Customs is responsible for implementing waste taxation under the Waste Tax Act.

The purpose of the audit was to study the principles of the waste tax system and the functioning of administration. In the first stage the audit focused on presenting connections between the tax system's objectives and fundamental solutions in the legislative basis. In the second stage attention turned to the implementation of the tax system. The main question was whether the preparation of the Waste Tax Act and the implementation of taxation have created proper conditions for achieving the environmental objectives of waste taxation while meeting the requirements of a good tax system.

The audit indicated that as an incentive-type environmental tax, waste tax has only a weak guiding ability. The relative weight of the tax system's environmental and other objectives does not stem clearly from the legislative basis, nor does the relative weight of different-level environmental objectives. Consequently it is not possible to form an idea of what overall change has been intended with regard to environmental impacts in introducing the tax system. Conditions for evaluating the effectiveness of the Waste Tax Act are therefore poor. On the basis of the audit it is also unclear whether the tax system was created with an eye to desired environmental impacts. The effect of the tax on different actors' behaviour was given little study when the tax was introduced.

Views concerning the ability to administer and implement the system have had more weight in the system's fundamental solutions than the law's stated grounds based on environmental objectives. The stated grounds are hard to

link to the Waste Tax Act's primary nature as an environmental instrument. The State Audit Office has recommended considering possibilities to revise fundamental solutions. This would mean the specification of objectives at the level of environmental impacts and the definition of the tax's application area, base and level according to the desired environmental impacts.

With regard to the implementation of the tax system, the audit indicated that the monitoring of operators has varied in different districts, so the effect on operators' practices has also varied.

The audit could not establish that taxation is comprehensive and that the tax base is tight. Problems in Customs' activities were observed in registering taxpayers, guiding customers, ensuring the reliability of reported tax information, conducting comprehensive fiscal control and ensuring uniform taxation. In the opinion of the State Audit Office, Customs should pay particular attention to the reliability of register information and sanctions in case of unpaid taxes. On the other hand guidance concerning the preparation of decisions on primary taxation has ensured uniform practices in calculating the amount of waste tax, for example.

With regard to monitoring and evaluating the effects of waste taxation, the audit concluded that the information systems used by Customs and the environmental administration cannot give a full picture of changes in waste production and waste handling in different years. The information contained in the system has gaps and irregularities. No authority has been placed in charge of monitoring the effects of the Waste Tax Act and other environmentally related taxes.

In the opinion of the State Audit Office, official responsibility for evaluating the effectiveness of environmental taxes should be clarified. The information contained in systems should be harmonized in order to improve fiscal control and the ability to monitor the effects of the Waste Tax Act.