

Q → It is right time for the country to adapt environmental fiscal reforms to ensure sustainable development. Explain.

A → The ongoing pandemic has forced government to impose lockdown, which has ~~hurt~~ sent huge economic shock as well as current surge in cases has dismantled the existing health infrastructure. that has impacted many SDGs such as

- SDG-1 → Poverty
- SDG-4 → Health
- SDG-2 - Hunger

Secondly, the reduced economic activity has decreased tax revenues drastically as well as to support the vulnerable section such as informal workers, children, MSMEs government has taken many reforms such as PM AKAAY, ex-gratia distribution ECLGS, etc. These schemes &

decreased revenue has soared the FID to 9.5% of GDP for FY 2020-21 (revised estimates).

Thirdly, it has become absolutely clear that without sustainable development & environmental conservation, we can't escape the future spread of diseases as nearly 75% of diseases come from zoonotic sources including 'the novel corona virus'.

These evidences provide a compelling case for implementation of eco-tax.

It can target 3 main areas:-

- ① - Differential taxation on vehicles
- ② - taxing fuels in energy sector
- ③ - waste generation.

The major benefits are

- fulfils the twin objective of decreasing pollution and increasing revenue

- Promotes one health approach as postulated by WHO.
- Monetization will lead to increased awareness.

Challenges

- Affect competitiveness, as domestic manufacturers will be at ~~loss~~ disadvantage to imported items which don't have such tax. It can also decrease FDI.
- Absence of cohesive political will
- Lead to slow productivity growth & high cost of compliance for private sector.

Way forward

- European experience can be followed
- Integrate environmental taxes in GST framework as suggested by Madras school of economics
- Increase research in economic losses caused by environmental disaster to support the eco-tax.