


Green fiscal policies. Is it good for Environment but bad for business?

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- Taxes are obligations that business entities as well as individuals must pay to the tax authorities.
 - Although they are not the main revenues in the state budget, they are still important as revenues. However, taxes are mostly discussed for the effect they have on consumer behavior.
 - A high tax on a good or service will probably reduce the consumption of the good or service because the total cost is high.

Environmental taxes

Environmental pollution has a major effect on climate change and human health.


Environmental pollution caused by economic activities has stimulated the need for intervention for waste management, thus increasing investment in addition to environmental protection. To protect the environment, economies are turning to the circular economy.

Waste management and recycling is seen as one of the most efficient ways of protecting the environment, not only from pollution but also from the indiscriminate use of resources through the reuse of waste.



Tax instruments are used to curb harmful activities. In the same line are incentives or laws and regulations that encourage the non-use of harmful products or encourage the creation of greenery are also part of a package of measures to reduce environmental pollution.

The use of fiscal instruments in this regard in form of excise taxes has been used by governments for years. Environmental taxes used to reduce externalities are also a source of revenue for governments.



Revenues from taxes are used by governments in the form of subsidies for businesses that pay these taxes, or for other businesses that are part of the sectors that need to be developed, or even towards various government programs to reduce poverty, etc.


Environmental taxes imposed on business activities will be costs for these businesses, because of which these costs will either reduce the profit of the business, or managers will pass the cost in the form of lower wages or increase the price of their products produced.




The circular economy

The circular economy is rapidly being viewed as an efficient opportunity for future growth. Even though the concept of a circular economy is not entirely clear, it has begun to be implemented in business economic activities.


The circular economy must be linked to long-term development. The circular economy emphasizes the use of technology for economic development, whereas sustainable development seeks economic prosperity in harmony with nature.

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- EU environmental protection is divided into six categories: environment, air, chemicals, climate, nature, waste, and water.
 - The main areas of coverage by environmental policies are energy; greenhouse gas emissions and ozone-depleting substances; air quality and air pollution; transport-sector emissions of greenhouse gases and air pollutants; waste; water; sustainable consumption and production; chemicals; biodiversity and land use.
 - Research is always directed at the possibility of avoiding the impact of industries on the environment due to their impact on human health.




The circular economy system drives ecological economic benefits, including energy conservation and emission reduction. Through long-term and sustainable operation, the circular economy system can increase economic benefits and reduce poverty.


Environmental taxes are used to control pollution and manage natural resources. Environmental taxes are the economic instrument that is expected to influence the behavior of businesses in general and the behavior of producers who have a direct relationship with products that cause pollution and consumers in general.


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- Although regulations have been drafted in this regard, the increase in the number of cars, especially in large cities, has led to an increase in pollution. For this reason, the main sources of environmental taxes are taxes on the purchase and possession of vehicles, where the lowest rate is set for vehicles that have low emissions of pollutants.
 - Environmental taxes are increasingly used to influence behavior, and their revenues can be used to promote environmental protection. Environmental taxes in EU countries have been used in various forms but have generated very little revenue.


Environmental taxes and economic development in Albania


- Environmental taxes in Albania are energy taxes, transport taxes, pollution taxes, and natural resource taxes. Pollution taxes include the taxation of elements and products that harm the environment and consequently affect the health of individuals.
- These taxes are imposed on solid waste management, air pollution through air emissions and discharge into the water, noise, etc. A carbon tax is a tax that is levied on carbon dioxide emissions.

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- The aim is to reduce gas emissions and this tax is also used to correct externalities caused by other gases emitted into the atmosphere. Waste management has received increased attention for the preservation of the environment and the health of the individual.
 - The objective of waste management is not to endanger human health, and this is done through methods and processes that should not harm an individual or his environment.

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- One method of waste management is recycling. Recycling essentially contributes to the reduction of waste that takes place through a chain of processes that leads to the reduction of a significant amount of waste that is deposited in landfills.
 - In Albania, companies that collect and recycle waste have been set up. Waste management first aims at waste prevention, and when the product is converted into waste, it goes through other processes that enable reuse, recycling, and finally disposal.

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- The strategic policy document and the national plan for integrated waste management, 2020–2035, state that waste generated from mineral enrichment and smelting is out of control, and rehabilitation plans are missing. Waste is diverse: solid or liquid.
 - Recycling is a recovery operation in which waste materials are recycled to be converted into products, materials, or substances for use in activity operations. The waste, which is not recovered, is subject to safe disposal operations.

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- Recycling should be encouraged to benefit from the reuse of materials and, at the same time, reduce the uncontrolled extraction of resources by using the materials obtained from recycling to increase the efficiency of resource utilization.
 - The proposal of the European Commission (EU Commission, 2021) is to promote clean technologies by removing the reductions or exemptions that favored the use of fuels and to increase Member States' revenue from green taxes, which are less harmful to development.

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- Fuels that cause more damage will be taxed more, setting a higher minimum tariff. Intervention in the tax system should be done in such a way as to stimulate growth (OECD, 2019).
 - The increase in energy taxes can be combined with the reduction of income taxes, with the decrease in the level of public debt, or with the increase of investments in various fields of education, health, etc.