



## Green Tax

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### Why in News

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Recently, the Centre announced its plans to impose a **"green tax" on older vehicles** in a move to **disincentive the use of polluting vehicles** and to curb pollution in the country.

### Key Points

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- **About:**

- The **Ministry of Road Transport and Highways** will levy a green tax on transport vehicles **older than eight years** at the time of **renewal of fitness certificate** at the rate of **10% to 25% of road tax**.
- The revenue collected through the green tax **will be kept in a different account and will only be utilised for tackling pollution**.

- **Exemptions:**

Vehicles like strong hybrids, **electric vehicles** and those running on alternate fuels like CNG, ethanol and LPG and vehicles used in farming, such as tractor, harvesters and tillers will be exempted.

- **Differential Taxation:**

- Personal vehicles are proposed to be charged green tax at the **time of renewal of registration certification after 15 years**.
- **Public transport vehicles**, such as city buses, will be charged lower green tax.
- **Higher green tax (50% of road tax)** will be levied on vehicles being registered in **highly polluted cities**.
- Differential tax will also be charged depending on fuel (petrol/ diesel) and the type of vehicle.

- **Justification of the Green Tax:**

- **Combat Health Hazards by Vehicular Pollution:** The major pollutants like **carbon monoxide (CO), nitrogen oxides (NOx), photochemical oxidants, lead (Pb), particulate matter (PM)**, etc. can have direct as well as in-direct impact, like reduced visibility, cancers, respiratory and cardiovascular ailments, increased mortality, morbidity and impaired pulmonary function.
- **In Accordance with "Polluter Pays Principle":** It is the commonly accepted practice that those who produce pollution should bear the costs of managing it to prevent damage to human health or the environment.
  - **For example**, a factory that produces a potentially poisonous substance as a byproduct of its activities is usually held responsible for its safe disposal. Similarly Green tax is to be paid by the owners of pollution causing vehicles.
  - **Polluter Pays Principle** is part of the **1992 Rio Declaration** which gives broader principles to guide sustainable development worldwide.
- **Carbon Pricing:** India along with the U.S, China and Japan are some of the countries that are hardest hit by climate impacts. In order to mitigate the condition and reduce the **GHG emissions**, one smart approach is pricing Carbon such as introduction of Green tax.
  - **Carbon Pricing:** It is an instrument that **captures the external costs of greenhouse gas (GHG) emissions** — the costs of emissions that the public pays for such as:
    1. damage to crops,
    2. health care costs from **heat waves** and droughts and
    3. loss of property from flooding and sea level rise.
  - Carbon pricing **ties them to their sources through a price**, usually in the form of a price on the carbon dioxide (CO<sub>2</sub>) emitted.

- **Criticism of the Green Tax:**

- **Additional Burden:** Imposing additional tax on Public transport such as buses will transfer the burden on the public which is already suffering income losses post pandemic crisis.

There are **already high rates of taxation on petrol and diesel**, green tax will **further spike the burden** on vehicle owners.
- **Spike in Inflation:** Green tax will contribute in increasing the overall transportation cost which could surge the overall inflation.

- **Other Initiatives to Curb Air Pollution**

- **Graded Response Action Plan**
- **National Electric Mobility Mission Plan (NEMMP)**
- **Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India (FAME India)**

## Way Forward

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- **Price Rationalisation:** Prioritisation of hybrid and electric vehicles over carbon fuel based vehicles could be done by rationalising prices of such low emission vehicles rather than imposing additional taxes.
- **Proactive Measures:** Interventions like pollution-monitoring apps should be promoted.
- **Coordinated Efforts:** Fighting air pollution is a public issue and subsequently everybody's responsibility. Therefore, along with measures like green tax, the need is for concerted and coordinated efforts with active involvement of all the stakeholders. This should include the Government (national, state and local governments), cities, community at large and individuals.

**Source: IE**