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FEES FOR ENVIRONMENTAL PROTECTION-A DUAL ROLE: PROVIDING A SOURCE OF FISCAL REVENUE AND MEASURES TO SECURE ENVIRONMENTAL PROTECTION AND SUSTAINABLE DEVELOPMENT

Abstract: *The paper deals with compensation for environmental protection in the Republic of Serbia, in particular the fees determined by the current Law on Environmental Protection. The fees determined by this Act are governed by regulations issued under this Act. Special attention is devoted to the work of compensation for pollution, as well as ecological compensation and reimbursement for the Protection and Preservation of the environment. Also, a dedicated tax (that is, paid by everyone, not just the contaminants) and its role as fiscal revenue, providing smooth state spending especially in the financial crisis, as the extent of protection of the environment ensuring sustainable development and positive encouragement of the citizens and economy.*

Keywords: *fiscal policy, environmental taxes and charges, environmental protection, sustainable development*

1. INTRODUCTION

In relation to the environment, certainly the biggest problem that arises is its pollution. Man with his lifestyle and behavior does not always have positive effect on the environment. Technology developments and lifestyle changes lead to different production processes and products. As a result is environmental pollution. So the man through the processes of production of different products pollutes the environment, which is also the environment of all living beings on the planet. Very often products themselves are the source of pollution.

Taxes are the main financial instrument of the modern state whose expenses are covered under its jurisdiction. Generally taxes are state income, unilaterally determined and collected from

everybody who is under the state taxation power. Fiscal revenues are derivative income which is, through public expenditure, used to create different effects on economic conditions. By changing the size and structure of public expenditures consumption and investment are directly affected.

2. ENVIRONMENTAL TAXES AND FEES

Modern fiscal policies rejected an earlier point at which public spending is a waste of national income and by which the state is the more prosperous if it costs less. Today the state is an important element of production and market structure of modern economy. 40% of the total investments in Serbian economy are government

investments and over 20% of all employees work in the state sector. Basic economic research and leading economic and social development policies are funded by the state. Therefore, the public expenditure is now considered as an element of global demand and an efficient instrument of stabilization policy. Different effects on economic conditions are achieved through public expenditure. By changing the size and structure of public expenditures consumption and investments are directly affected. Public revenues in the modern fiscal theory analyze the size of a global fiscal burden, not only in terms of budget coverage, but also by their effects on consumption and investment. They reduce income and put pressure on prices. During depressions or in order to cut the costs of inflation, tax cuts have beneficial effects on economic trends and stability of the economy. [1]

The Serbian fiscal revenue system is regulated by the Law of public revenues and expenditures and includes taxes on income, profits, assets and sales, excise taxes, contributions for compulsory social insurance, national, provincial and municipal taxes, fees for use of resources of common interest, the former abundant use of urban construction land and compensation for the protection and improvement of the environment. [2]

By the definition of the Serbian Public Revenue System, fees, which are arranged by the national laws, should primarily control external effects that occur when using certain goods, and secondarily represent a function of budget revenues. External effects occur when the participant does not claim full income and benefits from his activities, or when he does not bear its full costs.

The fee - the price of the public good that is used is determined by public law act: the obligation to pay arises when certain public property (trees, roads, water sources...) is used in the process of production or consumption.

The public law also determines the fees (prices) for the use of goods of common interest. If the relationship between the amount of compensation and benefits realized by using goods of common interest is weak, the fee turns into the tax.

The most market-oriented instruments in the Republic of Serbia are taxes that should discourage the use of environmentally harmful products and taxes and fees that aim to control pollution and waste, as well as taxes on the exploitation of natural resources. [3]

Serbian Constitution and the Law on Public Revenue and Expenditure (Article 12) stipulate that the law may impose fees for the use of resources of common interest. This law regulates the distribution of income, coming from every fee, to different levels of government. In accordance with the law (Article 23) every income belongs to the Republic. This actually means that the substantive law or law that mandates certain benefits also regulates the affiliation of revenues, while the Law on Public Revenues and Expenditures enables every income to be the revenue of the Republic. [4]

Financing environmental protection in Serbia, according to the National Program of Environmental Protection will be based on (new or revised) fees for the use of utility services for individual consumers and businesses. It is assumed that by 2014 20% additional investment in wastewater management and water supply to the local government level will be provided through service fees. In the medium term (2015-2019) it is assumed that the degree of the cost coverage of services will increased to 80%. It is estimated that fee income in the environmental area that is routed through the Fund will cover around 7.5% of total (additional) investment in environmental protection. This can be achieved by gradual introduction of new charges (air, water) and gradually increasing the amount of fees. Total income of the Fund

in 2006 was realized in the amount of RSD 888,700,000.00, in 2007 RSD 972,245,491.65 and in 2008 RSD 1,045,934,763.15 and was higher than expected for RSD 48,934,763.15. If this continues, by 2019 it would be possible to provide about 55 million Euros per year. [5]

Fees paid by users are the fees / charges for the discharge of emissions and taxes / fees on products that have negative impact.

Fees and taxes for air pollutants

These fees are direct payments based on estimation or actual measurements of pollution concentrations and types of emissions. They are often combined with penalties.

User fees and taxes As a measure, they are not popular because they mean higher prices for producers and consumers. In order to avoid excessive production and consumption price includes all costs: private, social, future and present. This instrument has a local character. Funds collected in this way are used for financing specific environmental problem sites: disposal and waste collection, municipal water treatment, extraction of raw materials, hunting grounds, parks, ponds, etc.

Product fees Products that cause environmental pollution during the production, consumption, or as waste are burden by the estimated social costs. The goal is to increase product prices in order to reduce their demand. Funds raised this way are used to finance a new model of production which is environmentally friendly. Fees for products can be applied to artificial fertilizers, pesticides, plastics, batteries, etc.

Performance guarantee (Performance bonds) Manufacturers and users of natural resources are required to deposit security money, which will guarantee the respect of environmental protection requirements. Upon execution of commitments the guarantee is returned

to the manufacturer. Performance guarantees are used in Australia, Canada and the United States in order to guarantee the repair and maintenance of mines and storage of hazardous waste.

Damages (Liability payments) Well function of this economic instrument requires a very strong role of the state. The state has an obligation to guarantee the right to collect damages through the funds (funds for water pollution, the threat to biodiversity funds, funds of the oil spill, etc.). Beneficiary of the financial sources collected through the funds can be either the state or the damaged party. For example, the Japanese system of remuneration of health damage caused by air and water pollution is a traditional and far reaching instrument. In the United States such a program is implemented when disposing hazardous waste.

Subsidies are payments given in order to reduce pollution levels and to implement the plan to reduce pollution in the future. They are incentive for the polluters to increase their activity to reduce pollution. The subsidies include: loans at lower interest rates, tax exemptions, direct payments and rewards.

3. INSTITUTIONAL AND LEGAL FRAMEWORK IN THE FIELD OF ENVIRONMENTAL PROTECTION IN SERBIA

The existing institutional framework in Serbia, which is important for biodiversity protection, includes state bodies on one side and public companies on the other. The key institution, also the most responsible is the Ministry of Environment, Mining and Spatial Planning as well as Institute for Nature Conservation. [6]

The area of nature protection is normatively regulated by the Environmental protection and other laws and regulations which are directly or

indirectly related to nature and natural resources. Apart from the enforcement of laws and international conventions, very significant for the normative regulation of this area are regulations, decrees, orders, decisions about the protection of natural resources, etc. [7]

The new legal framework for environmental protection has been introduced in the Republic of Serbia in 2004. Law on Environmental Protection, Law on Strategic Environmental Impact Act, the Assessment of environmental impact and the Law on Integrated Pollution Prevention and Control were significantly improved in 2009 by adoption of another set of laws (16) in the field of environmental protection ("Official Gazette of RS", No. 36/09, Annex 1). This represents major progress in the harmonization of regulations in the field for protecting the environment with significant European directives. [7]

Law on Environmental Protection allowed enacting The National Strategy for Sustainable Use of Natural Resources and the National Environmental Strategy. This law is categorizing "areas of special state interest in protecting the environment" and allowing the Government to prescribe the criteria and the amount and method of payment for environmental pollution in those areas ("Official Gazette of the Republic of Serbia", no. 36/09 of 15.5.2009). Harmonization of legal regulations for environmental protection and nature with the legislation of the European Union is in process where adoption of the Law on Nature Protection ("Official Gazette of the Republic Serbian "no. 36/09 and 88/2010) governing the protection and conservation, biological, geological and landscape diversity is of great importance.

In the Republic of Serbia responsibility and obligations of companies that pollute the environment are pointed out. It is the concept of "polluter pays" principle, under which manufacturers and importers of

products should carry most of the financial responsibility for the environmental impacts of products (produced or imported), including impacts related to the choice of materials from which the product is made, the impacts generated by manufacturing process, and impacts resulting from the use and disposal of products. [8]

3.1. Compensation for pollution

The tax basis for environmental pollution is Article 85 Law on Environmental Protection, which states that the polluter must pay compensation for environmental pollution. The criteria for determining these fees are:

- 1) Type, amount or characteristics of emissions from specific sources;
- 2) Type, amount or characteristics of emissions generated or disposed of;
- 3) Content of the substances harmful to the environment in the raw material, semi-finished and finished product.

Person responsible for paying these taxes is any person who causes the pollution emissions or waste, or generates, uses, or distributes a raw material, intermediate products or products that contain substances harmful to the environment.

60% of the generated funds are revenue of the Republic and 40% is revenue of the local government unit.

These funds are used for protection and improvement of the environment by enforcing program, action and remediation plans which are in accordance with this Law and other laws.

Two ordinances regulate the type and amount of compensation for environmental pollution. These are the Regulation for types of pollution, criteria for calculating compensation for environmental pollution and the taxpayers, the amount and method of calculation and payment of compensation and the Regulation on standards and criteria for recovery, relief

and reduction of payment for environmental pollution ("Official Gazette of RS" No. 113/05)

3.2. Fees for the protection and improvement of the environment

The tax basis for the protection and improvement of the environment is in Article 87 Law on Environmental Protection. Article 87 Law on Environmental Protection says that local governments may, within its rights and duties, define fee for the protection and improvement of the environment. This fee is determined by an act of self-government unit on the basis of:

- 1) Use of residential and commercial buildings, apartments and office space for living and conducting business activity and land used to perform regular activities;
- 2) Performing certain activities which affect the environment and are determined by the government.
- 3) Transport of oil and petroleum products and raw materials, semi products and products of chemical and other hazardous substances from industry or for the industry in the territory of local governments with the status of "endangered environment" in the area of importance for the Republic of Serbia.

Taxpayers are holders of the right or tenants (if the property is used by the leasing rights) of residential and commercial buildings, apartments and office space for living and business activity and the fee is determined according to the surface estate. The fee is paid monthly up to the amount that does not exceed the amount determined in the Law on Environmental Protection.

Taxpayers, who are conducting certain activities that affect the environment, which are determined by the government, are legal entities and entrepreneurs. Taxpayers, who are involved in transportation of oil and petroleum products, raw materials, semi products and

products of chemical and other hazardous substances from industry or for the industry in the territory of local governments with the status of "endangered environment" in the area of importance for the Republic of Serbia are the owners of vehicles, legal entities and individuals engaged in this business. The Government decides on criteria, based on which such compensation is determined, as well as the maximum amount of the fee.

The local government determines the amount, terms, taxpayers, payment of compensation and benefits for certain categories of payers in accordance with already established criteria.

Funds generated from these benefits are earmarked funds which are used for protection and improvement of the environment. This is all in accordance with the approved budget fund, local action plans and remediation plans, the Law on Environmental Protection and special laws. The local government can not decide on fees that are determined under section 84, 85 and 85a of the Law on Environmental Protection.

Compensation for environmental pollution is paid by polluters, and the criteria upon which such fee is determined are: by the type, quantity or characteristics of emissions from a given source; type, quantity and characteristics of emissions produced or disposed; and by content of harmful substances in the environment as raw materials, semi-finished products or products. 40% of generated funds are revenue of the Republic and 60% is revenue of local self-government

4. CONCLUSION

It is clear that there is a difference between the cost of growing environmental pollution, which is a result of passive attitude or omissions, while investing in the rehabilitation of the pollution consequences and promoting

environmental protection requires effective investment and active attitude towards environmental protection.

Law on Environmental Protection stipulates that the environmental benefits can be introduced by Republics, autonomous provinces and local self-government. This law introduced charges for the use of natural resources and

compensation for environmental pollution, on which was discussed in the paper.

Taxes and fees are the simplest mechanisms of the state in the struggle to preserve the environment and achieve sustainable development, but a proactive approach is required for each individual and society as a whole.

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