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Pilot Project on Environmental Taxes

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INTRODUCTION

Environmental taxes have long been an instrument to adjust revenues in national budgets and to some extent serve as an incentive to change the behaviour of citizens by increasing the costs of certain products which have a negative impact on the environment. European efforts such as the Lisbon strategy emphasise that environmental taxes are an important instrument, not only for the protection of the environment but also for competitiveness and growing economies.

Already in 2002, the European Strategy for Environmental Accounts (ESEA) Task Force and the Working Party on Economic Accounts for the Environment agreed that it was important to have environmental tax data broken down by industry/final users, integrated into a NAMEA-type framework.

The concept of environmental accounts would then make available other sources of information for an integrated analysis. For example, environmental taxes could then be linked to other data such as air emissions, energy use, waste, water, environment expenditure as well as to other economic data available from the national accounts. That would allow for analyses, for example of the impact and efficiency of environmental taxes and its impact on competitiveness, and the application of the polluter-pays principle, and for the modelling of “green” fiscal policy reforms.

Environmentally related taxes have not yet been established as official statistics in Lithuania.

The aim of the project was to establish an environmental tax data collection system in a breakdown by industries which accomplishes the requirements of a NAMEA (National Accounting Matrix including Environmental Accounts) -type data framework, filling in the Standard Tables of Environmental taxes by industries.

In the framework of this project, the following actions were planned:

- Establishment of a working group;
- Preparation of action plans;
- Study of methodological material as regards the Environmental taxes and other countries' experience;
- Preparation of methodological framework;
- Identification of existing data sources and time series, their analysis;
- Collection of data needed for filling in the standard tables for Environmental taxes;
- Harmonization of collected data in accordance with the Eurostat's methodology;
- Filling in of standard tables, checking and correction of possible errors;
- Preparation of interim and final reports.

In order to gain more experience and knowledge on allocation of taxes according to environmental categories and by industry according to NACE Rev.1 and NAMEA definitions, a consultancy visit to the Statistical Office of Sweden was organised. Working knowledge and practical advices given on allocation of tax data by categories, instructions and overview of problems concerning filling in of the standard tables were extremely useful for our project implementation.

DESCRIPTION OF THE WORK CARRIED OUT

In order to achieve the objectives defined for the project and for better coordination, a Working Group was established. Representatives of Agriculture and Environment, National Accounts, Energy Statistics divisions were involved.

The implementation of the project was divided into two components: preparation of methodological framework and collection and compilation of data on environmental taxes by industries which cover the total economy including households.

First of all the analysis of the laws which describes the tax administration was performed.

A list of taxes forming the Lithuanian taxation system is provided in Article 13 of the Law on Tax Administration of the Republic of Lithuania. The following taxes shall be administered under the Law on Tax Administration of the Republic of Lithuania:

- 1) value added tax;
- 2) excise duties;
- 3) personal income tax;
- 4) immovable property tax;
- 5) land tax;
- 6) state natural resources tax;
- 7) petroleum and gas resources tax;
- 8) tax on environmental pollution;
- 9) consular fees;
- 10) stamp duty;
- 11) fees for the financing of road maintenance and development;
- 12) inheritance tax;
- 13) compulsory health insurance contributions;
- 14) contributions to the Guarantee Fund;
- 15) state-imposed fees and charges;
- 16) lottery and gaming tax;
- 17) fees for the registration of industrial property objects;
- 18) corporate income tax;
- 19) state social insurance contributions;
- 20) tax on a surplus amount in the sugar sector;
- 21) production charge in the sugar sector;
- 22) one-off tax on additional quota for white sugar production and on supplementary quota for isoglucose production
- 23) customs duties;
- 24) deductions from income under the Law of the Republic of Lithuania on Forestry.

It was important to determine which of taxes could be marked as environmental taxes. According to definition environmental taxes are defined as taxes tax base of which is a physical unit (or a proxy of it) of something that has a proven, specific negative impact on the environment (Eurostat, 2001).

Taking into account such criteria as purpose, object, tax base, payer, tax reliefs, tax rates, receipt of the tax, the following laws were considered:

1. Law on Taxes on State Natural Resources of 21 March 1991 No I-1163;
2. Law on Pollution Tax of 13 May 1999 No VIII-1183 (as last amended on 29 January 2008 - X-1438);
3. Law on Excise Duty of 30 October 2001 No IX – 569;
4. Law Amending the Law on Tax on Petroleum and Natural Gas Resources of 7 October 1992 No I-2944 (New version 20 May 2003 No IX-1564);
(a new version of 29 January 2004 No IX – 1987) (as amended on 20 January 2006 No X – 503);
5. Law on the Financing of Road Maintenance and Development Programme of 12 October 2000 No. VIII-2032 (new edition of 21 December 2001 No IX-682);
6. Law on Fees and Charges of 13 June 2000, No VIII-1725 (as last amended on 17 September 2002 No IX-1077) (entry into force on 1 January 2003).

Law, which describes the Tax administration	LAW ON TAXES ON STATE NATURAL RESOURCES
Purpose	The objective of this law is to increase the responsibility of users of natural resources for the effective and economical utilization of the national resources which are at their disposal, and to compensate the amount spent by the State on the investigation of natural resources and on the measures implemented for the preservation of the amount and quality thereof.
Object	The following State natural resources shall be taxable objects: <ol style="list-style-type: none"> 1) mineral resources, indicated in Annex 1 and Annex 4 of this Law, except for hydrocarbon and peat used in medical institutions; 2) water, except for mineral water used in medical institutions, and foundation soil, which are indicated in Annex 2 of this Law; 3) game taxable according to the categories of hunting grounds indicated in Annex 3 of this Law.
Payer	<ol style="list-style-type: none"> 1. Taxpayers liable to taxation for State natural resources, except taxation for game resources, shall be legal and natural persons, who are extracting the State natural resources of the Republic of Lithuania taxable by this law, the extraction of which requires the permit issued according to the order set by the Law on Environmental Protection of the Republic of Lithuania and other legal acts. 2. Taxpayers liable to taxation for game resources shall be legal and natural persons who have the permit to use game resources in the hunting grounds unit according to the Law on Hunting of the Republic of Lithuania, except science and educational institutions in the field of biology which carry out research of wildlife, its habitat and hunting.

Law, which describes the Tax administration	LAW ON TAXES ON STATE NATURAL RESOURCES
Receipt of the tax	<p>1. Taxation for State natural resources, except taxation for game resources, shall be included as follows: 90 per cent – in the State Budget, 10 per cent – in the budget of municipality in the territory whereof natural resources are extracted, and shall be used for financing of Special Programme on Environmental Protection Support of Municipalities according to the order set by legal acts.</p> <p>2. Taxation for game resources shall be included as follows: 70 per cent of taxation for game resources – in the budget of municipality in the territory whereof game resources are extracted, and shall be used for financing of Special Programme on Environmental Protection Support of Municipalities according to the order set by legal acts, while 30 per cent – in the State Budget, and shall be used for financing of the Environmental Protection Support Programme according to the order set by legal acts.</p> <p>3. Increased tariff (tax amount) for State natural resources shall be included as follows: 90 per cent – in the State Budget and shall be used for financing of the Environmental Protection Support Programme according to the order set by legal acts, while 10 per cent – in the budget of municipality in the territory whereof natural resources are extracted, and shall be used for financing of Special Programme on Environmental Protection Support of Municipalities according to the order set by legal acts.</p> <p>4. Funds of the Environmental Protection Support Programme shall be used for goals stipulated in the Law on Environmental Protection Support Programme, while budgetary funds of the municipalities indicated in paragraphs 1, 2 and 3 of this Article – for those stipulated in the Special Programme on Environmental Protection Support of Municipalities.</p>

Law, which describes the Tax administration	LAW ON POLLUTION TAX
Purpose	The purpose of the Law shall be to apply economic instruments to encourage the polluters to reduce environmental pollution, to carry out waste prevention and waste management, not to exceed the set standards for the emission of pollutants into the atmosphere and to accumulate funds for the implementation of environmental measures from the collected tax.
Object	<p>The tax shall be imposed on:</p> <ol style="list-style-type: none"> 1) pollutants discharged into the environment; 2) goods specified in Appendix 3 to the Law: <ul style="list-style-type: none"> i. e. tyres weighing over 3 kg (new, retreaded, used), accumulators, voltaic cells, oil or petrol filters for internal combustion engines, intake air filters for internal combustion engines, hydraulic shock-absorbers for motor vehicles. 3) filled packaging (specified in Appendix 4 to the Law):

Law, which describes the Tax administration	LAW ON POLLUTION TAX
	i.e. glass packaging, plastic packaging, PET (polyethylene terephthalate) packaging, composite packaging, metal packaging, paper and carton packaging, other packaging.
Payer	<p>1. The pollution tax for polluting the environment from stationary sources of pollution shall be paid by natural and legal persons polluting the environment who must have a permit for usage of natural resources and integrated pollution prevention and control permit with determined rates of the emission of pollutants into the atmosphere issued in accordance with the procedure set by the Government or institutions authorised by it.</p> <p>2. The pollution tax for polluting the environment from mobile sources of pollution shall be paid by natural and legal persons polluting the environment from mobile sources of pollution used for economic and commercial activities.</p> <p>3. The pollution tax for polluting the environment with goods and/or packaging waste shall be paid by manufacturers and importers of goods.</p>
Tax Reliefs	<p>1. Natural and legal persons implementing environmental measures aimed at reducing the emission of pollutants into the atmosphere from stationary sources of pollution by at least 5 per cent calculating from the determined maximum allowable pollution level shall be exempted from taxes for those pollutants whose amount has been reduced by 5 per cent in accordance with the procedure established by the Government or an institution authorised by it, except for the cases when the funds from the state budget are used for the implementation of the measure and also when the implemented environmental measures are intended for use of bio-fuel. The tax exemption shall be valid for a time period not exceeding 3 years from the beginning of the implementation of the measure.</p> <p>2. Where the measure aimed at reducing the emission of pollutants into the atmosphere from stationary sources of pollution fails to be implemented on the set term or the desired effect is not reached, the pollution tax shall be paid for the whole period in accordance with the procedure laid down in this Law or recovered in accordance with the procedure stipulated in the Law on Tax Administration.</p> <p>3. The following persons shall be exempted from the pollution tax for pollution from mobile sources of pollution:</p> <ol style="list-style-type: none"> 1) natural and legal persons polluting from transport vehicles with installed and operating exhaust gas neutralisation systems; 2) natural and legal persons polluting from transport vehicles used for agricultural activities, if their income gained from such activity account for more than 50 per cent of their total income; 3) natural persons engaged in individual activities the way they are defined in the Law on Personal Income Tax and using personal transport vehicles when pursuing these activities;

Law, which describes the Tax administration	LAW ON POLLUTION TAX
	<p>4) natural or legal persons polluting from transport vehicles using bio-fuel of established standards upon submitting the documents certifying the consumption of bio-fuel.</p> <p>4. Natural or legal persons who submit documents certifying the consumption of bio-fuel shall be exempted from the pollution tax for pollution from stationary sources of pollution for pollutants discharged into the atmosphere when using bio-fuel.</p> <p>5. Legal or natural persons, who either themselves or through third persons export from the territory of the Republic of Lithuania the goods subject to taxation under this Law and/or goods packed into taxable packaging, shall be exempted from the pollution tax for polluting the environment with goods or packaging waste in the amount of taxable goods or packaging equal to the amount that was exported from the territory of the Republic of Lithuania during the tax period upon submitting the documents, pursuant to the procedure established by the Government or institutions authorised by it, certifying the amount of exported taxable goods or packaging from the territory of the Republic of Lithuania.</p> <p>6. Manufacturers and importers shall be exempted from the pollution tax for polluting the environment with goods and/or packaging waste in the total amount of goods and/or packaging, if they fulfil the tasks related to recovery and/or recycling of goods and packaging waste set by the Government and, pursuant to the procedure established by the Government or an institution authorised by it, submit the documents certifying the amount of goods or packaging waste reused, recycled or used for energy recovery. Where a taxpayer fulfils three fourths of the tasks related to recovery and/or recycling of goods and packaging waste set by the Government, he shall be exempted from the tax in the amount of three fourths of the taxable goods and/or taxable packaging. Where a taxpayer fulfils half of the tasks related to recovery and/or recycling of goods and packaging waste set by the Government, he shall be exempted from the tax in the amount of half of the taxable goods and/or taxable packaging. Where a taxpayer fulfils one fourth of the tasks related to recovery and/or recycling of goods and packaging waste set by the Government, he shall be exempted from the tax in the amount of one fourth of the taxable goods and/or taxable packaging. A taxpayer who has been fulfilling the tasks shall, pursuant to the procedure established by the Government or an institution authorised by it, submit the documents certifying the amount of goods or packaging waste reused, recycled or used for energy recovery.</p> <p>7. The Bank of Lithuania shall be exempted from the pollution tax.</p>
Tax rates	<p>1. The rates and coefficients of the pollution tax rates shall be established for pollutants and groups of pollutants considering their hazardousness to the environment.</p>

Law, which describes the Tax administration	LAW ON POLLUTION TAX
	<p>2. The tax rates for polluting the environment from stationary sources of pollution shall be set for one ton of pollutants. The tax rates, in respect of which a temporarily allowable pollution level has been set, that are discharged into the atmosphere from stationary sources of pollution shall be increased by applying a coefficient of 1.2.</p> <p>3. The tax rates for polluting the environment from mobile sources of pollution calculated per one ton of consumed fuel and, in case of aircrafts, per one take-off and landing cycle. The tax rates for polluting the environment from mobile sources of pollution shall be adjusted (increased or reduced) taking into consideration the technical specifications of a source of pollution by applying coefficients set by the Government or institutions authorised by it.</p> <p>4. The list of pollutants subject to taxation, and the groups thereof shall be established and approved by the Government or institutions authorised by it.</p> <p>5. The rates of the pollution tax, except for those set as a certain percentage of a price, shall be indexed in accordance with the procedure established by the Government or institutions authorised by it by applying the consumer price index.</p>
Receipt of the tax	<p>1. The pollution tax, except for that paid for polluting the environment with goods or packaging waste, shall be allocated in the following way:</p> <ol style="list-style-type: none"> 1) 30 per cent – to the state budget. These funds shall be used for a purpose of financing environmental investment projects provided for in the programme of the Lithuanian Environmental Investment Fund. 2) 70 per cent – to the municipal budget of the municipality in the territory of which the object of pollution is located. These funds shall be used for a purpose of financing measures provided for in the special municipal Environment Protection Support Programme. <p>2. The tax for polluting the environment with goods or packaging waste shall be paid to the state budget. These funds shall be used for implementing the goals of the Programme on management of goods or packaging waste established in the Law on Waste Management.</p> <p>3. The pollution tax with an increased rate, when it is applicable for a concealed amount of pollutants, taxable goods or taxable packaging, and also for the amount of pollutants exceeding the standard, shall be paid or recovered from the offender to the state budget. These funds shall be used for implementing the objectives set in the Law on Environment Protection Support Programme.</p> <p>4. The unpaid pollution tax shall be paid or recovered, the penalty charges for late payment shall be calculated and the amount of the overpaid payment shall be returned in accordance with the procedure laid down in the Law on Tax Administration.</p>

Law, which describes the Tax administration	LAW ON EXCISE DUTY
Purpose	This Law shall establish the levying of excise duty on goods which are subject to excise duty under this Law, the peculiarities of monitoring and movement.
Object	<p>1. The following goods shall be subject to excise duty:</p> <ol style="list-style-type: none"> 1) ethyl alcohol and alcoholic beverages; 2) manufactured tobacco; 3) energy products; 4) electricity. <p>2. Energy products other than those referred to in Annex 2 to this Law shall become subject to excise duty if sold or used as motor fuel, fuel additives or as heating fuel, however they shall not be subject to the requirements of this Law regarding monitoring and movement (the requirement that they should be produced, processed, mixed, stored in a tax warehouse, the requirement that they should be moved following the same procedure as the products referred to in Annex 2 to this Law, etc).</p> <p>3. All other products not referred to in paragraph 1 of this Law shall become subject to excise duty when sold or used as motor fuel or its additives. Excise duty rates set in this Law with respect to an appropriate energy product instead of which or as additive to which the product is sold or used shall be applied to the products referred to in this paragraph.</p> <p>4. All other hydrocarbons, except for natural gas and peat, that are not referred to in paragraph 1 of this Article, shall become subject to excise duty when sold or used as fuel intended for heating. Excise duty rates set in this Law on appropriate equivalent energy product shall be applied to products specified in this paragraph instead of which the product is sold or used.</p>
Payer	Authorised warehousekeepers; Registered and Non-registered Traders
Exemptions	<p>1. Excise goods on which chargeability of excise duty has arisen under the provisions of Article 8 of this Law shall be granted an excise duty exemption if they:</p> <ol style="list-style-type: none"> 1) have been exported from a special shopping area of an international seaport or airport and at the Republic of Lithuania and third countries border crossing; 2) are intended for official activities of foreign diplomatic missions and consular posts in the Republic of Lithuania and for the personal use of the members of diplomatic missions and consular posts and their family members living together; 3) are intended for use by foreign state diplomatic missions or consular posts established in other Member States or members of these missions or posts. In this case the conditions and restrictions prescribed by that Member State shall be applied;

Law, which describes the Tax administration	LAW ON EXCISE DUTY
	<p>4) are brought into the Republic of Lithuania not from the Community territory in personal luggage of passengers and do not exceed the amounts prescribed by the Government which natural persons/passengers may bring into the country without import excise duties;</p> <p>5) are supplied for the fuelling and provisioning of passenger and/or cargo ships and/or aeroplanes on international routes;</p> <p>6) are intended for the use by the military units of NATO countries other than the Republic of Lithuania or accompanying civilian personnel when the units take part in joint military operations, exercise or other joint military event;</p> <p>7) are intended for international organisations recognised in the Republic of Lithuania and the representations of the organisations, as well as members of the said organisations or representations to the extent provided for in the international agreements establishing the international organisations or by other international agreements of the Republic of Lithuania concluded with the relevant international organisations;</p> <p>8) are acquired or imported under international treaties concluded between the Republic of Lithuania and the state that is not an EU Member State or an international organisation if the agreements provide for the exemption from the VAT.</p> <p>2. Other cases when individual excise goods are granted exemption from excise duty are specified in special provisions of this Law.</p> <p>3. If excise duty has been paid on the excise goods specified in paragraph 1 of this Article, the amount paid shall be refunded according to the procedure established by the Government or an institution authorised by it.</p> <p>4. If the excise goods on which excise duty has been paid in the Republic of Lithuania are moved to another Member State for business purposes or for the needs of public legal persons.</p> <p>5. Excise duty shall also be refunded for the excise goods on which excise duty has been paid in the Republic of Lithuania and which have been moved from the Republic of Lithuania by the vendor of the goods or, on his order, by another person to another Member State to a person who is not registered or a non-registered trader or not to a tax warehouse</p> <p>6. In case excise goods were transported from a tax warehouse to another Member State.</p>
Receipt of the tax	Excise duty shall be entered into the State budget.

Law, which describes the Tax administration	TAX ON PETROLEUM AND NATURAL GAS RESOURCES
Purpose	This Law shall establish the levying of excise duty on goods which are subject to excise duty under this Law, the peculiarities of monitoring and movement.
Object	The object of tax on petroleum and natural gas resources shall be petroleum and natural gas extracted in the territory of the Republic of Lithuania and its economic zone in the Baltic Sea.
Payer	The payers of the tax on petroleum and natural gas resources shall be Lithuanian and foreign taxable units (within the meaning used in the Corporate Tax of the Republic of Lithuania) and natural persons extracting petroleum and natural gas in the territory of the Republic of Lithuania and its economic zone in the Baltic Sea.
Tax rates	The amount of tax on petroleum and natural gas resources shall be comprised of the base rate of tax and the compensatory rate of tax on petroleum and natural gas resources. Petroleum and natural gas extracted from all deposits shall be taxed at base rate of tax on petroleum and natural gas resources. Compensatory rate of tax on petroleum and natural gas resources shall be applied to the petroleum and natural gas extracted from the deposits which have been prospected for or prospected for and explored or only explored using State funds. Compensatory rate of tax on petroleum and natural gas resources when applied to the petroleum and natural gas extracted from the deposits which have been prospected for or prospected for and explored or only explored using not only State funds shall be reduced in proportion to the share attributable to funds other than State funds.
Receipt of the tax	<p>1. The tax on petroleum and natural gas resources shall be included in the State Budget.</p> <p>2. The fine established in Article 7 of this Law shall be included in the State Budget and used in the manner prescribed by legal acts for financing the Environment Protection Support Programme.</p>

Law, which describes the Tax administration	LAW ON THE FINANCING OF ROAD MAINTENANCE AND DEVELOPMENT PROGRAMME
Purpose	<p>1. This Law establishes the sources and procedure of financing of the Road Maintenance and Development Programme.</p> <p>2. The purpose of the Law is to accumulate and use funds for the expansion, modernisation of the road network and ensuring the operation of the network.</p>

Law, which describes the Tax administration	LAW ON THE FINANCING OF ROAD MAINTENANCE AND DEVELOPMENT PROGRAMME
	<p>The sources of the Programme financing shall be:</p> <ol style="list-style-type: none"> 1) deductions from the income (not in force from 1 January 2009); 2) a certain share of the income from the excise duty received from the sale of petrol and diesel fuel; 3) revenue from the excise duty received from the sale of liquefied petroleum gas intended for use as motor fuel; 4) taxes levied on the commercial vehicles registered in the Republic of Lithuania; 5) user charges payable by the owners or users of vehicles registered in the Republic of Lithuania; 6) user charges payable by the owners or users of vehicles registered in foreign states; 7) taxes levied for using roads on vehicles (vehicle combinations) registered in the Republic of Lithuania and foreign states, the dimensions whereof, when laden or unladen, exceed those permissible or when the maximum permissible axle load or permissible maximum laden mass of the vehicle is exceeded; 8) fee for authorisation to perform various works on the road lane or road protection area; 9) State Budget resources; 10) targeted funds of legal, natural persons and foreign states.
Receipt of the tax	<ol style="list-style-type: none"> 1. Road Programme financing resources shall be used for designing and building roads, bridges, viaducts, for their modernisation, repair, stock-taking and maintenance, for purchasing road machinery, technology, vehicles and other capital goods, carrying out examination of roads and bridges, state monitoring of special construction requirements, covering the costs of land allotted, buildings and other structures moved or pulled down, as well as the costs of plants and other farming land, for creating road information systems, also for developing road infrastructure, cooperation with foreign states, drafting of legal acts and regulations, reimbursing maintenance expenses of the institutions responsible for the roads of national significance, for repaying loans and paying interest, for preserving the properties of historical road heritage, implementing traffic safety programmes and related measures, as well as financing other needs of the road sector. 2. The annual estimates shall contain provisions for the use of 20% of the Programme financing resources for building, repair and maintenance of roads of local significance and streets. 3. Programme financing resources shall also be used for compensating, according to the procedure determined by the Government of the Republic of Lithuania, the expenses of free ferriage of passengers and vehicles across the Curonian Lagoon.

Law, which describes the Tax administration	LAW ON FEES AND CHARGES
Purpose	This Law shall regulate the establishing, collection and control of fees and charges (State and Local)
Object	<p>1. State fees and charges shall be levied for:</p> <ul style="list-style-type: none"> 1) the registration of the acts of civil status at the institutions of civil registration, amendment of entries in the acts of civil status, and the issuance of documents certifying that an entry has been made in the act of civil status; 2) the issuance of documents relating to citizenship, travelling abroad and arrival and residence in the Republic of Lithuania, employment of foreign nationals, and a document attesting a person's place of residence; 3) issuance or renewal of an authorisation to engage in a licensed activity; 4) other services provided by the institutions; <p>2) a list of services subject to state fees and charges shall be determined by the Government.</p> <p>2. A municipal council shall have the right to determine local fees and charges within the territory of the municipality only for the following:</p> <ul style="list-style-type: none"> 1) issuance of an authorisation for excavation works in the territory intended for public use in the municipality (streets, squares, and green areas), sealing it or its part off or imposing traffic restrictions in it; 2) issuance of an authorisation for trading or providing services in public places determined by the municipal council, with the exception of trading in market places where, under the Law on Market Place Tax, a market place tax is paid; 3) issuance of an authorisation for outdoor advertising on the objects belonging to the municipality or controlled by it by lawful possession; 4) issuance of an authorisation to organise commercial events in territories for public use belonging to the municipality or controlled by it by lawful possession; 5) issuance of an authorisation for entry of mechanical means of transport to state-protected territories, protected areas established by municipalities, sites of natural landscapes declared by municipalities and established local protected zones, except for the purposes of crossing these territories by state highways, use of their road structures, parking facilities and rest areas, terminals and border check points; the above exceptions shall not apply to the town of Neringa; 6) use of parking areas established by the municipal councils, with the exception of parking areas along state highways and on a 5–15 metre strip set aside at state agencies, institutions and offices; 7) registration and keeping of animals (dogs and cats) in multi-occupancy residences; 8) collection of domestic waste from waste holders and waste management;

Law, which describes the Tax administration	LAW ON FEES AND CHARGES
	9) issuance of an authorisation for installation of temporary mobile facilities in the municipal territory other than that along state highways, in private or leased plots of state land.
Payer	Fees and charges shall be paid by natural and legal persons.
Exemptions	The Government shall have the right to reduce the rate of a state fee or charge for individual payers of state fees and charges or to allow an exemption in those cases when state fees or charges are credited to the state budget. A municipal council shall have the right to reduce, at the expense of its budget, the rate of state fees or charges for individual payers or to allow an exemption in those cases when state fees and charges are credited to the budget of the municipality.
Receipt of the tax	1. State fees and charges shall be credited to the budget from which the institution providing a service is maintained. Fees and charges for the services provided by the Bank of Lithuania shall be credited to the state budget. 2. Local fees and charges shall be credited to the budget of the municipality which has established local fees and charges.

Taking into account the recommendations of Eurostat that “the starting point for the work on environmental taxes should be a list of all government levies that are defined **as taxes in the country’s national accounts**”, the list of those taxes which could be treated as an environmental taxes and whether those are taxes or not was discussed/reviewed during the study visit to Statistics Sweden and further with the experts from the National Accounts Division. Special attention was paid to distinction between taxes and sales of services. When the payment is seen to be commensurate with the service provided, the payment is classified in national accounts in general as purchase of services. The conclusions of the review of potential environmental taxes were summarized in the table below:

Tax name	Environmental tax (Yes or no)	Remarks
Excise on energy products	Yes	
Pollution taxes	Yes	
Tax on the use of state natural resources	No	Not a tax , resource rent ? Need further clarifications
Tax on petroleum and natural gas resources	Yes	Taxes on extraction of oil and gas are to be included in the resource tax category according to the latest methodological change of DG TAXATION.

Tax name	Environmental tax (Yes or no)	Remarks
Land tax	No	Not environmental tax, it is consumption tax
Compulsory deductions from income received from selling wood raw materials and building timber	No	Not environmental tax (it is rather a fee than a tax), but tax on income.
Fine for exceeding the limit on the extraction of natural resources	No	Not a tax
Rental (payment) for state-owned land and state inland water bodies	No	Not a tax
Charges payable for commercial vehicles registered in the Republic of Lithuania	Yes	
User charge payable by the owners or users of vehicles registered in the Republic of Lithuania and in foreign states	Yes	
Taxes levied on vehicles (vehicle combinations) registered in the Republic of Lithuania and foreign states, the dimensions whereof, when laden or when unladen, exceed those permissible or when the maximum permissible axle load and/or permissible maximum laden mass of the vehicle is exceeded	Yes	
Local fees and charges on the collection and management of municipal waste	No	Not a tax , it is payment for a service
Local fees and charges on the use of streets and parking lots	No	Not a tax , it is payment for a service

Finally, the following taxes were considered as environmental taxes:

Excises on energy products;

Pollution taxes;

Tax on petroleum and natural gas resources;

Charges payable for commercial vehicles registered in the Republic of Lithuania;

User charge payable by the owners or users of vehicles registered in the Republic of Lithuania and in foreign states;

Taxes levied on vehicles (vehicle combinations) registered in the Republic of Lithuania and foreign states, the dimensions whereof, when laden or when unladen, exceed those permissible or when the maximum permissible axle load and/or permissible maximum laden mass of the vehicle is exceeded.

The basis for the identification of environmental taxes often is tax revenue statistics.

The main data sources available at Statistics Lithuania were identified.

The most important data source – tax statistics survey conducted by the Tax Statistics Subdivision.

The Survey population comprises all tax payers. The Survey is a total (census) survey, performed based on the data from administrative data sources. Data are received from the Inter-Community Data Warehouse, the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania, the Customs Department under the Ministry of Finance of the Republic of Lithuania and the Ministry of Finance of the Republic of Lithuania.

One of other possible data sources for environmental taxes is the information from National Accounts. They obtain very detail information about different taxes from administrative data sources, the main of which – State Tax Inspectorate and State budget information. National accounts have their own classification of taxes. Three main categories of taxes are distinguished. **Taxes on production and imports** cover 1) taxes payable when goods and services are produced or imported known as **taxes on products** and 2) taxes on the ownership or use of assets used in production and on the labour employed known as **other taxes on production**. Taxes on household income and wealth taxes paid every tax period are described as **current taxes on income, wealth, etc.** The third category of taxes covers **capital taxes** which are levied infrequently and irregularly on the value of assets and those levied on capital transfers. Most environmental taxes are found in the category taxes on production and imports.

Taking into account the Eurostat guidelines, environmental taxes were divided into four categories, namely energy taxes, transport taxes, pollution taxes and resource taxes.

ENERGY TAXES

Energy taxes comprise taxes on energy products used for both transport and stationary purposes.

Energy taxes consist of excise tax paid on petroleum products.

Data on cash basis from State Tax Inspectorate were recalculated on accrual basis in the National Accounts Division.

State Tax Inspectorate provides information about excises paid by these groups:

- Excise duty on unleaded motor petrol

- Excise duty on bio-gas oils, methyl-ester, etc.

- Excise duty on fuelling and provision of diesel fuel for agriculture, internal waters fishery or ships

- Excise duty on gas oils

- Excise duty on gas oils and mix of energy products manufactured from materials of biological origin

- Excises on gas oils, surrogates, etc.

- Excise duty on gas oils, oils of intermediate easiness, etc.

- Excise duty on other heavy fuel oils, surrogates, etc.

- Excise duty on fuel (except gas)

- Excise duty on fuel (except petroleum gas)

- Excise duty on petroleum gas and gaseous hydrocarbons (except natural gas)

Excise duty on petroleum gas
 Excise duty on non-tagged kerosene
 Excise duty on heavy fuel oils for heating
 Excise duty on gas oils and mix of energy products manufactured from materials of biological origin for heating
 Excise duty on gas oils for heating
 Excise duty on heavy fuel oils, orimulsion, other oils for heating
 Excise duty on heavy fuel oils *for heating*, not corresponding to features
 Excise duty on diesel fuel
 Excise duty on imported heavy fuel oil
 Excise duty on imported kerosene
 Excise duty on imported kerosene substitutes and additives
 Excise duty on the mix of motor petrol and raw materials of biological origin
 Excise duty on the mix of motor petrol and other raw materials
 Excise duty on leaded motor petrol
 Excise duty on kerosene
 Excise duty on marked bio gas oils, fatty acids, etc. for heating
 Excise duty on marked gas oils and kerosene for heating
 Excise duty on liquefied gas for motor transport, payable in advance
 Excise duty on import of diesel fuel
 Excise duty on import of gas oil
 Excise duty on import of gas oil substitutes and additives
 Excise duty on import of motor petrol
 Excise duty on import of motor petrol substitutes and additives

In the National Accounts Division only one group of total excise is used for publication: **Oil and other oil products**. For further calculations information from State Tax Inspectorate about excises paid was aggregated into five main groups:

Excise duty on kerosene and substitutes and additives (for aeroplanes)
 Excise duty on fuel for heating
 Excise duty on fuel for vehicles
 Excise duty on fuelling and provision of diesel fuel for agriculture, internal waters fishery or ships
 Other excise duty on energy products (this group includes all kinds of fuels used for intermediate consumption in separate activities).

In our opinion the fuel excise duty should be considered differently because:

- The enterprises which produce and import fuels and pay the fuel excise duty to state budget are not (figuratively) the “end payers” of this tax. They charge it back from their customers.
- All enterprises which have some kind of vehicles, fuel using devices or boiling houses use some kind of fuel. So fuel excise duty in fact is paid in all economic activities.

- Fuel as gasoline, diesel and gas is used not only by enterprises and establishments but also by households.

Due to these reasons it was considered that it is more relevant to look up who used the taxed fuel (in which economic activities the fuel was used) and estimated the quantity of fuel excise duty paid in economic activities and by households based on data from tables on Supply and Use. Energy balances in kind do not have enough data for the calculation of excises by activities.

The mentioned five groups reflect main users of different kind of fuel, so it was possible to allocate excises to different activities.

Excise duty on fuel for heating actually pay enterprises from activity 40 by NACE rev.1 “Electricity, gas, steam and hot water supply”.

Excise duty on kerosene, its substitutes and additives actually pay enterprises from activity 62 by NACE rev.1 “Air transport”.

Excise duty on fuel for motor vehicles is paid by households as well as enterprises by activities. These excises were split by activities and households using data from tables on Supply and Use and data from Energy balances. The share of used petroleum products for intermediate consumption was the basis for the calculation of excises by activities. Expenditure for petroleum products by households was the basis for excise calculation for households, as well as consumption of different kind of fuel in kind from Energy balances.

It was impossible to calculate energy taxes by final payers for 2007 because tables on Supply and Use for this year are not finalized yet by the National Accounts Division at Statistics Lithuania.

TRANSPORT TAXES

This group of taxes covers:

- Charges Payable for Commercial Vehicles Registered in the Republic of Lithuania
- User Charge Payable by the Owners or Users of Vehicles Registered in the Republic of Lithuania
- User Charge Payable by the Owners or Users of Vehicles Registered in Foreign States
- Taxes Levied on Vehicles (Vehicle Combinations) Registered in the Republic of Lithuania and Foreign States, the Dimensions whereof, when Laden or when Unladen, Exceed those Permissible or when the Maximum Permissible Axle Load and/or Permissible Maximum Laden Mass of the Vehicle is Exceeded.

The taxes which are set according to the amount of pollution emitted by vehicles are not levied on passenger cars. When registering a car owner pays only registration fee which does not go to the budget but is income of State Enterprise “Regitra” which registers vehicles, provides examination services for persons wishing to obtain driver’s licences and issues driver’s license.

POLLUTION TAXES

The pollution tax is applied on emissions from stationary and mobile sources, certain goods (e.g., batteries, mercury lamps, etc.), as well as packaging. The tax depends on the specific pollution-related indices.

This tax is paid by the companies manufacturing taxable goods or importing them to Lithuania, providing services of packing of any goods, importing any packed goods into Lithuania. The tires, batteries, mercury lamps, cell batteries, engine fuel, oil and air filters and hydraulic shock absorbers and any container filled with products are subject to this tax. Households are not taxpayers.

RESOURCES TAX

This group includes oil and gas resource tax. It should be noted that the resource taxes did not include taxes on oil and gas extraction before. The SNA specified that these should be treated as payments of rent to the government as owner of the resources and not as taxes. But from 2009, according to the latest methodological change of DG TAXATION, these are to be classified under Resource tax category.

Extracted oil and gas resources in Lithuania are subject to the basic (up to 20%) and compensatory (up to 9%) rates. The basic rate depends on the start of operation of the deposit from which oil or gas resources were extracted (before or after 1 July 2003). The compensatory rate depends on the part of the Government funds used for detection and exploration of the deposit. The taxable value is the last quarter's average sales price of oil and gas resources per ton at the extraction site. If the tax authorities do not establish the fair average sales price at the site, the tax may be calculated based on the last quarter's average sales price per ton at the extraction site published by Statistics Lithuania.

There were differences in opinions whether the taxes defined according to the Law on Taxes on State Natural Resources of the Republic of Lithuania should be treated as environmental taxes. The following State natural resources are taxable objects:

1) mineral resources (sand, gravel, opoka, dolomite, sapropel, anhydrite, clay, etc.), except for hydrocarbon and peat used in medical institutions; 2) water, except for mineral water used in medical institutions, and foundation soil; 3) game taxable according to the categories of hunting grounds.

Income from the resource tax is not treated as a tax in the Lithuania's national accounts. However, following the current guidelines of Eurostat (Eurostat 2001), taxes on mineral resources and water could be treated as resource taxes. It was decided to include also tax on game resources in environmental taxes group taking into account the current guidelines of SNA (SNA 2008).

Data of The State Tax Inspectorate under the Ministry of Finance on pollution taxes, transport taxes and resource taxes were used for filling in the standard tables on environmental taxes. Every enterprise was linked with Statistical Business Register by enterprise code. Business activity code was attached for every enterprise from Statistical Business Register. Taxes by economic activities were allocated using business activity code from Statistical Business Register. Total data were compared with data on the Implementation of National Budget.

RESULTS

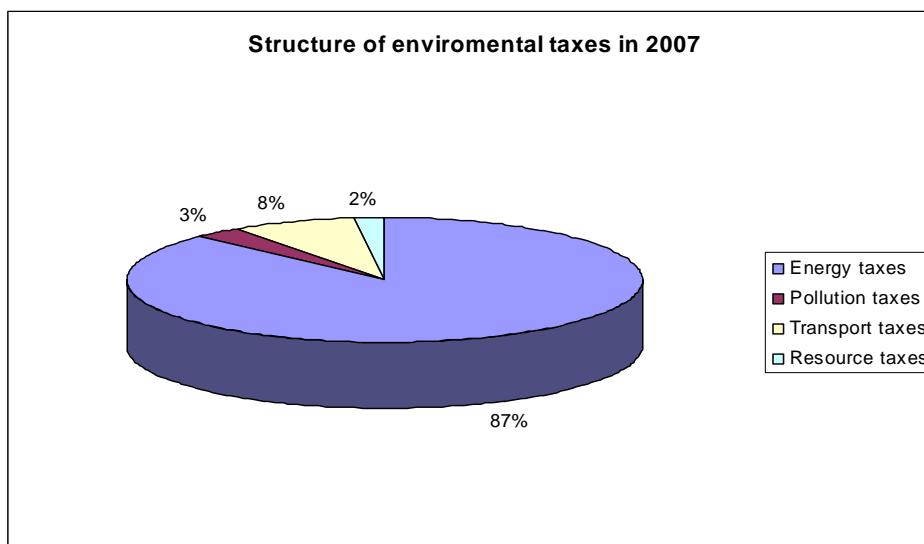
Table below shows total environmental taxes paid in Lithuania in 2004–2007 (in LTL million). Total amount of paid environmental taxes in 2007, against 2004, increased by 40 per cent.

	2004	2005	2006	2007
Total	1282.1	1383.1	1520.2	1794.3
Energy	1109.5	1225.0	1329.8	1557.9
Transport	54.8	48.6	78.5	139.3
Pollution	56.3	59.4	58.1	63.3
Resources	61.5	50.1	53.8	33.8

Since 1 January 2007, the order for payment of tax for State natural resources has changed – the tax should be paid after the end of calendar year before 1 February. Thus taxpayers, who paid the tax as advance payment in 2006, before 1 February 2007 had paid only difference between the sum calculated for 2006 and advance payment paid that year. Payment for 2007 was paid after the end of calendar year before 1 February 2008, therefore such considerable decrease in income of this tax, as compared with 2006, was observed.

In 2007, collected taxes on vehicles was almost 2 times more than in 2006 due to the fact that there were more than 10 thousand taxpayers who did not pay this tax in 2006 and in 2007 paid about LTL 6.9 million, and more than LTL 46.6 million was paid via the Lithuanian Road Administration under the Ministry of Transport and Communications of the Republic of Lithuania (positive effect was made by the imposition of taxes on the heavy goods vehicles (Resolution No. 447 of 21 April 2005 of the Government of the Republic of Lithuania regarding implementation of programme on financing of the maintenance and development of national roads).

The largest part of environmental taxes was linked to energy products. This type of environmental tax accounted for somewhat more than three quarters of the total.



Industries were main contributors for every environmental tax type.

Most important contributors to energy taxes paid

NACE rev.1		2004	2005	2006
	Households	26.5	20.9	24.5
NACE 50-52	Wholesale and retail trade	18.8	18.9	15.6
NACE 60-64	Transport and communication	14.0	15.4	17.7
NACE 15-37	Manufacturing	13.8	16.3	15.2
NACE 40-41	Electricity, gas and water supply	12.5	13.1	11.7
NACE 01-05	Agriculture	5.0	5.4	5.3
NACE 45	Construction	4.3	4.3	4.6
NACE 75	Public administration and defence	1.9	2.0	2.1
NACE 90-93	Other community, social, personal service activities	1.2	1.2	1.0
NACE 80-85	Education, health and social work	0.6	1.0	0.8
NACE 10-14	Mining and quarrying	0.5	0.5	0.4
NACE 70-74	Real estate, renting and business activities	0.5	0.6	0.7
NACE 65-67	Financial intermediation	0.4	0.4	0.4

Enterprises paid indirectly 73.5% of total excises for different kind of fuel in 2004, 79.1% – in 2005, and 75.5% – in 2006. Respectively, households paid 26.5% in 2004, 20.9% – in 2005, and 24.5% – in 2006.

Most important contributors to transport taxes paid.

NACE rev.1		2004	2005	2006	2007
NACE 60-64	Transport and communication	47.50	52.90	49.70	49.60
NACE 50-52	Wholesale and retail trade	16.40	15.20	18.00	16.90
NACE 45	Construction	12.10	11.70	11.80	13.50
NACE 15-37	Manufacturing	11.20	10.70	11.70	11.30
NACE 01-05	Agriculture	4.20	3.70	3.60	3.30
NACE 70-74	Real estate, renting and business activities	2.00	2.10	1.70	2.10
NACE 90-93	Other community, social, personal service activities	2.00	1.20	0.90	0.90
NACE 75	Public administration and defence	1.70	1.10	1.10	0.60
NACE 40-41	Electricity, gas and water supply	1.50	1.00	1.00	1.20
NACE 80-85	Education, health and social work	1.00		0.10	0.20
NACE 10-14	Mining and quarrying	0.40	0.40	0.40	0.40

The transport and communications industry paid almost half of all the industries transport taxes. There were no payments by households.

Most important contributors to pollution taxes paid

NACE rev.1		2004	2005	2006	2007
NACE 40-41	Electricity, gas and water supply	29.0	29.0	28.1	24.3
NACE 15-37	Manufacturing	26.8	27.4	29.8	32.5
NACE 50-52	Wholesale and retail trade	17.8	16.9	14.6	16.9
NACE 60-64	Transport and communication	11.9	10.4	12.1	9.5
NACE 45	Construction	5.0	4.6	4.8	5.2
NACE 75	Public administration and defence	3.8	6.1	4.7	5.7
NACE 90-93	Other community, social, personal service activities	1.8	1.7	1.6	1.4
NACE 01-05	Agriculture	1.4	1.4	1.4	1.4
NACE 70-74	Real estate, renting and business activities	1.1	1.2	1.4	1.6
NACE 10-14	Mining and quarrying	0.7	0.7	0.9	0.8
NACE 80-85	Education, health and social work	0.4	0.4	0.4	0.4
NACE 65-67	Financial intermediation	0.2	0.2	0.2	0.2

The distribution of pollution taxes identified that electricity, gas and water supply and manufacturing were among the industries contributing most to pollution taxes in 2004–2007. There were no payments by households.

Most important contributors to resources taxes paid

NACE rev.1		2004	2005	2006	2007
NACE 10-14	Mining and quarrying	76.1	69.3	73.20	81.10
NACE 40-41	Electricity, gas and water supply	15.0	18.2	15.20	8.30
NACE 90-93	Other community, social, personal service activities	4.7	6.6	5.80	5.60
NACE 15-37	Manufacturing	1.8	2.8	2.80	2.10
NACE 45	Construction	1.0	1.4	1.30	1.50
NACE 01-05	Agriculture	1.0	1.2	1.30	0.90
NACE 50-52	Wholesale and retail trade	0.2	0.3	0.20	0.30

Resource tax was paid on extraction of mineral resources from the natural environment. Therefore, the vast majority, over 70 per cent, was paid by mining and quarrying (NACE 10-14) industries. There were no payments by households.

Annex 1: Standard Eurostat tables

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