

Tax Offset for Environmental Sustainability

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This research developed a corporate tax framework that delivers sustainable economic and environmental outcomes. Companies that sustainably improve their use of environmental resources receive a benefit in the form of a tax offset. This tax offset for environmental sustainability, based on a footprint measure, is referred to as TOES.

Positioned within the sustainability and environmental policy contexts, the research highlights a gap in models or frameworks that link environmental sustainability and corporate outcomes with tax policy. Determining how the company income tax system can facilitate sustainable business practices requires an understanding of incentives as drivers of behavioural change as well as business attitudes and approaches to environmental issues and environmental tax policy. This provides the structure for the framework – how a taxation system is designed is critical for its effectiveness.

As an incentivised system, TOES has the potential to considerably increase R&D spending and investment in sustainable technologies and improve the efficiency of business processes without compromising revenue. It is structured so as to avert the trade-offs and/or conflicts normally associated with injecting environmental concerns into fiscal policies. It does this by aligning economic and environmental goals with drivers of corporate decision-making.

The framework is transparent and broad-based, able to be applied broadly across and within all industry sectors. Being a tax-offset, adoption will be voluntary thereby minimising any resource allocation bias and compliance costs. It also facilitates accountability with respect to the sustainable use of resources.

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