

28 – A Taxonomy of Sustainable Activities to Orient Covid-19 Tax Measures to Environmental Objectives

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In 2018, the European Commission presented a new plan for sustainable finance aiming at reorienting capital flows towards sustainable activities. Among other measures, the Commission announced the development of a Taxonomy of environmentally sustainable economic activities. Are included in the Taxonomy 140 groups of activities contributing to six environmental objectives: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources (4) transition to a circular economy, waste prevention and recycling, (5) pollution prevention and control and (6) protection of healthy ecosystems. Pursuant to the Taxonomy, all major European companies will be required to publish the share of activities complying with the Taxonomy.

Since the rapid outbreak of COVID-19 through the world, governments are facing requests from exposed sectors to benefit from tax reliefs or subsidies. The aim of this paper is to discuss the opportunity and the pertinence to refer to the Taxonomy for selecting the beneficiaries of tax measures and subsidies. On the one hand, energy transition and environment protection will be fostered by the selection of activities that contribute to one of the six objectives included in the Taxonomy; on the other hand, it will provide a unified definition of environmental activities for tax purpose and help to safeguard a fair competition across Europe when it comes to protecting the environment and combating climate change.

In the first section, the paper discusses the potential legal obstacles for using the Taxonomy as a reference for tax matters. For instance, as the first goal of the Taxonomy was to include environmental measurement in the financial sector, its use may be subject to limitations as harmonization at the EU level for tax matters normally requires unanimity among Member states. In the second section, the Global Block Exemption regulation for environmental State Aids is compared and tentatively aligned with the Taxonomy. The objective is to spot similarities and potential refinements in criteria settled to exempt certain tax measures qualifying as state aid and to bring more uniformity within European legal framework when environment is at stake. Finally, the third and last section lists different uses by governments of this new framework to design tax policies in response to the impact of the COVID-19 on the economy. This part explores different policy options, including requiring companies to conduct one of the listed activities in order to benefit from targeted subsidiaries and taking into account environmental data to calculate reliefs for income taxes.

Biographical note

Sébastien E. Wolff: Born in Brussels in 1986, Sébastien Eric Wolff holds a master degree in law, a master degree in economics (University of Louvain, Belgium), a specialization degree in tax law and in European taxation (ICHEC Brussels Management School, Belgium). Since 2011, he is a teaching assistant and PhD researcher in the field of tax law at the University of Louvain and at the Lunds Universitet (Sweden) under the supervision of Pr. Dr. E. Traversa. The topic of his PhD thesis relates to the implication of taxes in the achievement of the European climate transition plan. He is currently also an adviser to the Belgian government for sustainable finance and a professor at the Université de Lorraine (France) and the ICHEC Brussels Management School (Belgium). His areas of interest cover international and European tax law with a special focus on energy taxation and R&D policies.