

77 – The Tax on CO₂ in Argentina is Sick with Covid-19

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With the goals of facing the effects of climate change and becoming an OECD Member Country, in 2017 Argentina implemented a Tax on CO₂ under the presidency of Mauricio Macri (2015-2019). Until this year, the country had only regulated the Tax on Liquid Fuels and Natural Gas, but without an explicit environmental purpose. The Tax Reform Act of 2017 (N° 27430) eliminated the natural gas from this tax and incorporated a new Tax on CO₂ emissions generated by certain liquid and solid fuels: unleaded gasoline, virgin gasoline, natural gasoline, solvent, turpentine, diesel oil, kerosene oil, fuel oil, petroleum coke and coal.

The tax is calculating by applying a fixed amount for each liter or kilogram of fuel, with different values for each case. By virtue of the inflationary process that Argentina has been suffering for years, the Tax Reform Act of 2017 orders that these amounts must be updated quarterly (January, April, July and October). Although they have been updated every three months since 2018, this changed with the Decree 488/2020 (May 18) issued due to the economic and social crisis generated by Covid-19. This Decree provided that the increases corresponding to July 2020 will not be applied to gasolines and diesels. Its main purpose is to lighten the tax burden that levy the purchase of the most used fuels for passengers and goods transportation and, in this way, to protect the regional economies and the workforce associated with the oil industry.

Since its regulation in 2017, the goals of the Tax on CO₂ have not been achieved. The behavior of individuals when purchasing the levied fuels was practically unmodified, due to its insignificant tax burden; research projects to face the climate change were not financed, since its tax collection has no environmental allocation, and Argentina is not an OECD Member Country.

The exceptional health situation we are experiencing seems to be affecting all these goals. The current question is to know whether this new Decree will be able to achieve its purposes of cushioning the economic and social crisis that hit the country and, when the pandemic is over, whether the Tax on CO₂ will be modified, under the new presidency of Alberto Fernández (2019-2023), to transform it into an authentic environmental tax or it will remain as the collection tax that was until now.

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