13 – Reconciling EU Tax and Environmental Policies: the VAT as a Vehicle to Boost Green Consumerism Under the Green Deal

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The European Union (EU) has acquired a global frontrunner role in the fight against climate change and environmental degradation. Notwithstanding the ambitious and far-reaching European stance in the field of climate and environmental law, however, EU's tax policy is often inconsistent with its climate objectives. This is all the more the case with regard to indirect taxation, where the alleged environmental purpose of domestic indirect tax measures does not necessarily entail its incompatibility with EU primary law (see, for example, the CJEU case C-40/00, *Commission vs. France*).

The European Green Deal (COM 2019/640 final) as the cornerstone of future EU environmental and climate policies, albeit not expressly encompassing indirect taxes within its scope, sets a clear stage to an unprecedented approach to transitional policies to transform the economy. With specific regard to the EU's VAT system, the Green Deal encourages the Council to rapidly adopt the European Commission's 2018 proposal to allow a more targeted use of rates to reflect increased environmental ambitions.

Whilst the "greening up" of VAT does not constitute *per se* a novel exercise, this contribution will build on the existing literature by conceptualizing an original model of consumption-based indirect taxation linked to the carbon emission intensity of production chains. Following a brief overview of some of the most relevant issues pertaining to the EU political discussions on VAT reforms, the main features of a carbon labeling program launched by the UK in 2007 are presented. Where the foremost aim of that program is to steer consumers' behaviors towards sustainable products through a low carbon-emissions labeling system. Importantly, moreover, the above UK labeling program is based on carbon emissions/unit of production process calculation method, which might prove particularly suitable to achieve proper calibration of the EU-wide VAT mechanism in line with the EU's climate and environmental objectives. We thus argue that such labeling regime should be adequately embedded in VAT tax levy design so as to properly benchmark tax consumptions rates against established carbon emissions intensity ratios. In fact, where multiplication of tax rates constitutes an element potentially hampering VAT's neutrality, this contribution will analyze a set of full-fledged criteria to ensure adequate increase of tax rates with regard to targeted carbon-intensive B2C transactions with a view to reconcile the (undesirable) regressivity of VAT and its use to achieve EU's (desirable) environmental and climate goals.

Biographical note

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Francesco was awarded several degrees, among which a Master in Corporate Tax Law by the Bocconi University of Milan in 2012, an LL.M. in International Taxation by the Vienna University of Economics and Business (WU) in 2013, a Ph.D. by the same Austrian university in 2017 and a Law Degree Conversion Diploma (GDL) by the BPP University in 2018.