



ENSURING THAT POLLUTERS PAY

Slovakia

Slovakia's revenue from environmentally relevant taxes is at the average level in the EU. Environmental taxes stood at 2.39% of GDP in 2019 (EU-27 average: 2.37 %). The largest portion of the environmental taxes were the energy taxes at 2.11% of GDP, against an EU average of 1.84 %. Transport taxes represented 0.25% of GDP (EU average being 0.45%). Taxes on pollution and resources stand at 0.03% (average in the EU: 0.08). In the same year, the environmental tax came to 6.91% of total revenues from taxes and social security contributions (above the EU average of 5.76 %).¹

Further options

A tax on **solid fuel** could work to improve air quality

Biomass used for home heating is a large contributor of particulate matter (PM) emissions in Slovakia. Burning fuels in the household sector form a major source of PM emissions, contributing over 80% of the total. Slovakia could consider introducing a tax on solid fuels in the residential sector to reduce these emissions. The tax could be based on the calorific value, the average

emission per fuel category and the environmental cost of the emissions. Modelling suggests that the tax could have a negative effect on GDP and total employment, but this would be very small and when revenues are recycled (e.g. through income tax) the negative effects on income are completely offset.

A pay-as-you-throw scheme

To increase reuse and recycling rates, Slovakia could consider a pay-as-you-throw scheme (PAYT) combined with an increase in the landfill tax (LFT). The country has a well-established deposit-refund scheme for glass bottles and there is some separate collection in municipalities, particularly in areas with low-rise housing. Despite these systems, recycling rates remain well below the 50% target; a PAYT could change household behaviour and improve the separate collection system.

It is recommended that a weight-based system is used as this will provide the greatest behaviour change incentive. Payments based on the volume of the bin/container and the frequency of its collection are already in place across Slovakia, including in Bratislava. A weight-based system is less common, mostly in smaller villages/municipalities. There are examples where smaller villages have implemented a unique quick response (QR) code system and where households are evaluated based on separation

rate and volume. Based on that the fee for the next year is calculated. The residual waste bags/containers should be clear in order to check contamination.

Slovakia's current landfill tax is considered ineffective. At current levels the cost of recycling is not comparable to the costs of landfill and municipalities do not have any economic incentive to increase recycling rates. Increasing the level to € 35/tonne could improve its effectiveness.

PAYT would have small negative effects on GDP, but when the tax revenues are recycled back into the economy, the negative effect is completely mitigated by 2030 and could even lead to a slight increase in employment (0.08% in 2030).

An example of how a PAYT scheme can be designed is in the factsheet for France (?) [link] and an example of a landfill tax is in the factsheet for Austria.

Examples of economic instruments

CARBON AND OTHER EMISSION FEES

According to the Strategy of the environmental policy of the Slovak Republic until 2030, by 2030, greenhouse gas emissions in all non-ETS sectors in Slovakia should be reduced by 20% compared to 2005. Green fiscally neutral tax reform will be considered, together with an increase in environmental taxes.

The Slovak legislation distinguishes between stationary and mobile sources of air pollution; stationary sources are further divided into large, medium and small-sized sources.

In the energy sector, only 30% of CO₂ emissions from burning fossil fuels cost more than the lowest estimate of the cost of pollution (In other words, according to the most optimistic scenario, only 30% of those emissions have externalities priced in). Another almost 13% of CO₂ was emitted completely free of charge. The same is true for air pollutants, where the current level of charges for medium and large sources corresponds to less than a percentage of the estimated damage. SO₂ is mainly emitted by large sources of pollution, which means that most of these emissions are charged. The majority of revenues from environmental taxes came

from excise duties on energy carriers (88%) and motor oils (11%), while their tax rates distinguish only fuel types but not the intensity of pollution.

Energy taxes (including transport fuels) are in general aimed at taxation of:

- ▶ energy products intended for transport purposes - unleaded petrol, leaded petrol, diesel and other energy products intended for transport purposes (eg LPG, natural gas, kerosene or heating oil),
- ▶ energy products intended for stationary purposes - light heating oil, heavy fuel oil, natural gas, coal, coke, biofuels, consumption and production of electricity, district heating, other energy products for stationary use,
- ▶ greenhouse gases - carbon content in fuels, greenhouse gas emissions.

The pollution tax in 2019 reached 28.69 mil. EUR and decreased by 23% compared to 2010. Pollution tax increased by 0.3% compared to the previous year. In total, taxes with an environmental aspect in 2019 reached 2,245.97 mil. EUR and increased by 58.2% compared to 2010. The energy tax in 2019 reached 1,984.19 mil. EUR and increased by 61.5% compared

to 2010. Energy tax increased by 2.2% compared to the previous year. Transport tax in 2019 reached 233.09 mil. EUR and increased by 52% compared to

2010. Transport tax increased by 0.2% compared to the previous year.

WATER MANAGEMENT FEES

Landfilled waste:

- ▶ Minimum fee (EUR/kg) 0.33
- ▶ Maximum fee (EUR/kg) 60

A person/entity required to pay the fee is the last holder of the waste. For municipal waste it is the municipality. The rate of landfill tax (to be more precise it's landfill fee, not a tax – because it is by no means linked to taxpayer's annual report of tax liabilities influencing

this tax position) was changed (increased) only recently. New way of calculation of the fee started in 2019, with heavy impact on municipalities. From 2020, nearly all municipalities had to increase the waste-fee for their inhabitants dramatically. In some cases, there will be 90% increase between 2019 and 2021. Slovakia will not reach the EU target of recycling of at least 50% of municipal waste by 2020 (39% of waste was recycled in 2019). Incineration facilities are largely supplied by material from abroad, it is therefore not expected that waste management fees will influence this type of business.

WATER FEES

Water abstraction fee is the payment of the consumer for taking water from the public water supply network provider - wit includes payment for drinking water taken, supplied through a water pipe. Besides the price for water supplied, there is also the cost of delivery and the supplier's profit included. Water discharge fee is the payment for the drainage of sewage and its subsequent treatment.

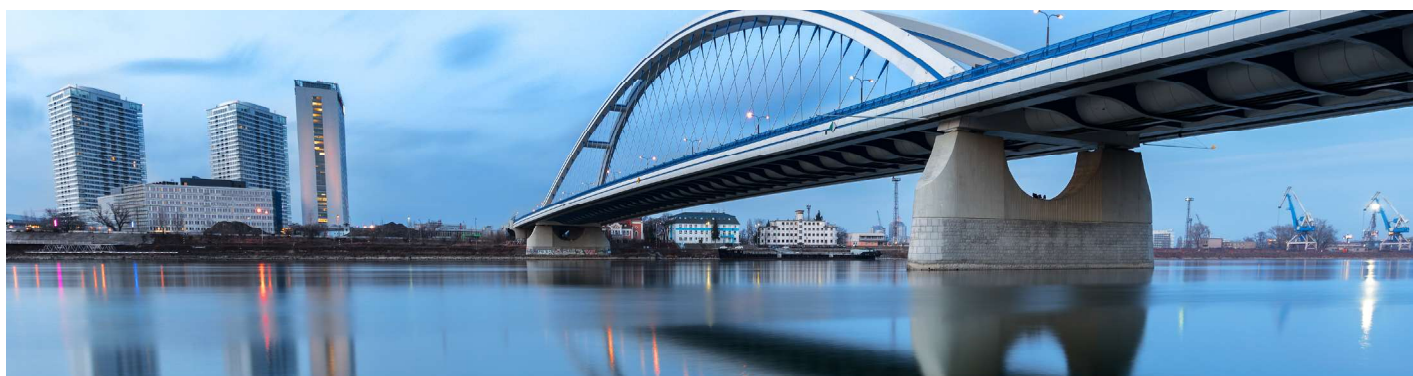
Average Tariffs in 2020 (EUR/m³):

- ▶ Water abstraction fee 1.12
- ▶ Water discharge fee 1.0702
- ▶ Average price of water (includes VAT and process fee) 3.0146

The pricing policy in the Slovak Republic is based on

the principle of reimbursement of costs for water management services, including environmental protection costs in accordance with the "user and polluter pays" principle. Until now, the costs of environmental protection have been taken into account only partially, the increase in prices was caused by the costs of production and supply of drinking water by public water mains and the drainage and treatment of wastewater. However, there is now a pressure to reflect more on the "true cost of water" which takes into account additional parameters like community and watershed risks, water stress, etc.

GDP share of environmental taxation is declining from 2017 (2.54% in 2017) until present (2.39% in 2019).



Key stakeholders

Academics

Environmental Policy Institute. This institute publishes scientific documents most up-to-date and relevant for topics mentioned in factsheet.

NGOs:

Buildings for the Future. They represent building construction and renovation industry – very relevant for emission reduction in Slovakia.

¹ https://ec.europa.eu/eurostat/databrowser/view/env_ac_tax/default/table?lang=en

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