



國立清華大學 科技法律研究所
Institute of Law for Science and Technology, National Tsing Hua University

The Recent Development of Diverse Energy Taxation Bills in Taiwan: A Comparative Study

Anton Ming-Zhi Gao¹
antongao@mx.nthu.edu.tw

Assistant Professor, Institute of Law for Science and
Technology (ILST), National Tsing Hua University, Taiwan

PhD in Energy Law, KU Leuven Belgium

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About me: Energy Legal Profession
approaching this tax issue via energy law

ENERGY LAW

Coming soon!!

Kenichi Matsumoto and Anton Ming-Zhi Gao eds.,
Economic Instruments to Combat Climate Change
in **Asian countries**, Choice between Emission
Trading Scheme and Carbon Tax

e.g., Carbon Tax in Japan, Vietnam, South Korea etc.

288 pp. Hardcover

I am not an economist!

I am unable to talk about how to calculate the rate in a very detailed manner.

I can only focus on the boring side of tax- the legal design elements of tax



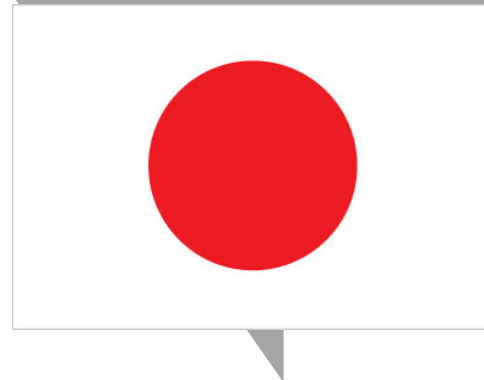
I. Introduction

War among economists
Just like the war between Feed in tariff vs
RPS/tendering in promoting RES

Emission
trading scheme



Carbon Tax



The parallel development of Carbon tax and ETS in Taiwan since 2005

ETS

Carbon Tax

All legislation remains **bills** so far!

of **2006**



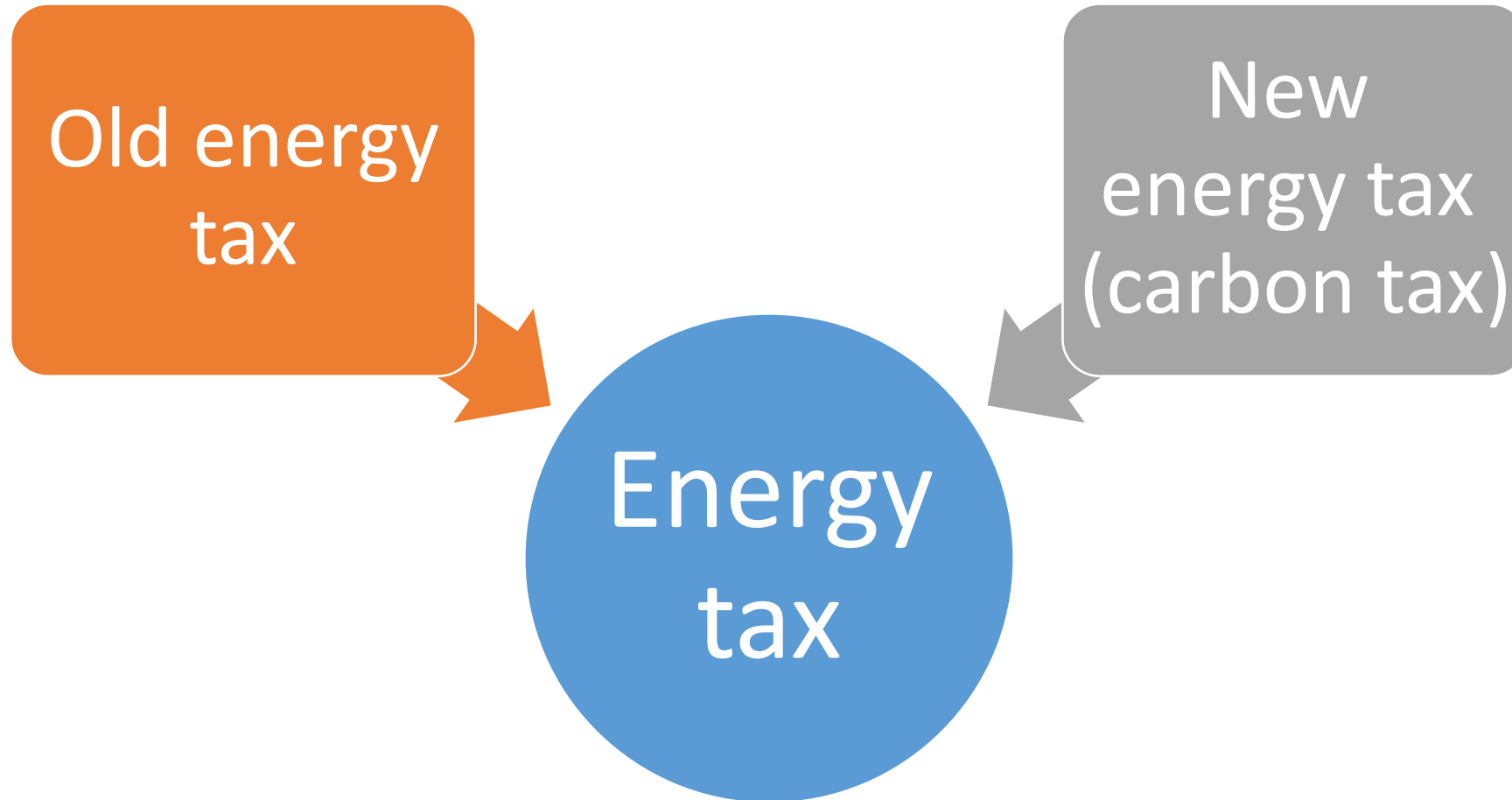
Emission Reduction Bill
of **2012**

Energy tax bill of **2000**



...other **seven** version
of bills

Two types of energy tax in Taiwan



II. Old Energy Tax

Eight types of Energy taxes in three categories



Rate schedule of old energy tax

Item	Customs Duties			Trade	Excise	Petroleum	Soil and		Air Pollution	Value	6.83	169	12	5%
	Color						Groundwater							
Crude oil														5%
Fuel oil														5%
Kerosene (coal oil)														5%
Kerosene-type jet fuel														5%
LPG														5%

- VAT is prevailing.
- Gasoline and diesel oil are highly taxed
- Gas energy is less taxed.

The use of special levy is popular

1. Avoiding the use of term of tax
2. Each ministry's pocket money

Customs duties

VAT

Excise
tax

Air pollution
control fee

Soil and
groundwater
pollution
remediation
fee

Petroleum
Fund fee

Trade
promotion
service fee

Automobile fuel usage fee

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Two hidden Energy Taxes?

A. Special Public Levy of the Energy Research and Development Fund

- Tai-Power (state-owned electricity company)

B. Special Public Levy of the Renewable Energy Development Fund (FIT)

- Tai-Power and independent power producers (IPPs) but also combined heat and power (CHP) operators with capacity above 30 MW.

Summary

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Very bad image for
the government to
adopt more taxes



These taxes could play indirect role in energy conservation and emission reduction!



III. The idea of New Energy Tax: Carbon Tax



Wrong image about Taiwan's tax rate for citizens



the average tax rate in Taiwan was only 12.3% in Taiwan in 2009,

compared to 25.7% in France and 22.9% in Germany.

Eight versions of Energy/carbon tax Bills

- 1. Energy Taxation Bill by MP Chen (2006.05) (Bill A)
- 2. Energy Taxation Bill by Ministry of Finance (2006.10) (Bill B)
- 3. Energy Taxation Bill by MP Wang (2006.12) (Bill C)
- 4. Energy Taxation Bill by MP Tian (2008.05) (Bill D)
- 5. Energy Taxation Bill by Tax Reform Committee (2009.10) (Bill E)
- 6. Energy Taxation Bill by Ministry of Finance (2011.01) (Bill F)
- 7. Energy Taxation Bill by MP Tzen (2011.03) (Bill G)
- 8. Energy Taxation Bill by MP Lee (2012.05) (Bill H)

1. Purposes

	A	B	C	D	E	F	G	H
Encourage energy savings	V	n/a	V	V	V	n/a	V	V
Facilitate energy security		n/a		V		n/a		
Improve energy efficiency	V	n/a	V	V	V	n/a	V	V
Develop alternative energy	V	n/a	V	V		n/a	V	
Adjust industrial structure and establish a sustainable development society	V	n/a	V	V	V	n/a	V	
Reduce carbon emissions	V	n/a	V	V	V	n/a	V	
Reflect external energy cost		n/a			V	n/a		V

2. Who should pay taxes?

the producer of energy

importer of energy

Ultimately, Pass on final customers and energy intensive industry and even green industry....

3. Tax rate

Bill E set the carbon tax at **18 euros (750 NTD)/T**, while Bill F set it **at 10 Euros (400 NTD)/T**.

國家	碳稅稅額 (NT\$/tCO ₂)	說明
歐盟	約 821	2011年提案修正能源稅指令，建議修改為依能源熱值、及CO ₂ 含量分別課徵，碳稅稅額為20歐元/tCO ₂ 。
丹麥	約 495	2005年調降二氧化碳稅稅額為90丹麥克朗/tCO ₂
加拿大	約 99	魁北克針對能源生產者徵收碳稅，3.5加幣/tCO ₂
	約848	卑詩省針對化石燃料消費課徵碳稅，30加幣/tCO ₂
	約424	亞伯達省對每年排放10萬噸二氧化碳之企業徵收碳稅 15加幣/tCO ₂
澳洲	約680	於2012年7月起徵收碳稅，規劃至2015年逐年調高碳稅稅額達25.4澳元/tCO ₂ 。然而澳洲新任保守派總理艾波特(Tony Abbot)於2013年11月13日提案廢除碳稅。
日本	約84	於2012年10月徵收碳稅（附加於石油石炭稅中），分3階段實施，至2016年稅額達到289日圓/tCO ₂ 。
我國研議方案	750	2009年10月賦改會報告規劃針對二氧化碳排放源課徵溫室氣體環境稅，稅額為750元/tCO ₂
	400	2011年1月財政部研議版本，整併貨物稅，加徵定額碳稅400元/tCO ₂

Of Bill D; Article 6(2) and Annex of Bill G; Article 3(1)(2) of Bill F)

4. Other tax design

Transitional period

- e.g., four versions of the bill (Bills A, B, E, and G) adopt a 10-years gradual increase period to the full tax rate.

Flexible rate adjustment clause

- E.g., Bills B, D, and G give the administrative branch the power to reduce or increase the tax rate up to 50%

Main Determinants of the Tax Rate

- there are three factors: heat value, carbon contents, and original excise tax.

5. The function and spending of Tax



- **A. Tax Integration Function: Tax Reform**
- **B. Economic Growth and Promotion of Environmental Industries**
- **C. Consumer and Social Warfare**

A. Tax Integration Function: Tax Reform

Integration of oil and gas–related excise taxes
Integration of the automobile fuel usage fee
Integration of the special public levy of the Petroleum Fund
Integration of the vehicle air pollution control fee
Cease the existing drink and electric appliance excise taxes
Cease the stamp and entertainment taxes
Reduce the business income tax or personal income tax
Reduce the personal income tax

B. Economic Growth and Promotion of Environmental Industries

Reduce the business income tax

Subsidise energy-related R&D

Spend on emission reduction and energy conservation measures

C. Consumer and Social Warfare

Reduce the personal income tax	
<u>Transportation and green energy-related subsidy</u>	Subsidy for <u>public transportation</u>
	Subsidy for energy and public policy research
Budget for other ministries	Extra <u>funding for education</u>
	Subsidy for <u>transportation maintenance and management</u>
	Subsidy for <u>low-income households</u>
	Funding for <u>universal health care</u>
	Funding for <u>care of the elderly</u>
Budget for local government	

(6) Tax Exemption

- The most common scheme is total exemption from tax for certain purposes, such as:
 - energy used as *industrial raw materials*,
 - the use of energy for *national defence purposes*.

IV. Conclusion

In spite of diverse bills, the future of energy/carbon tax is **DIM!!!**

- This also shows the **controversial** nature of these bills.

The Energy Tax Bill could be the **most secret and mysterious bill** in Taiwan's legislative history!

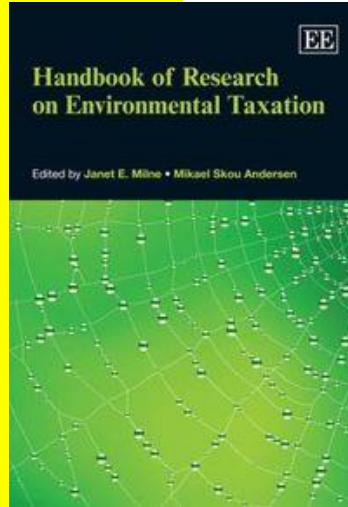
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Main contribution of this article (I)

- 1. Few of the legal articles in this field in Taiwan
vs. Most are research report from economics thinking tank
- 2. Most Updated version

Very useful for the comparative
design of carbon tax/energy tax of
this conference



Research Hand book on “Carbon/energy” Tax in
the future?

- tax exemption, reduction and refund schemes.

Thanks for your attention
welcome your comment

See you 2016 in Taiwan after
2015 Sydney conference?

