

Environmental Taxation in France

Greening the French Culture of Taxation

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In the run-up to potential initiatives of the EU Commission as part of the European Green Deal, the effectiveness of environmental taxation in Europe needs to improve. For France this means:

- ▶ Environmental taxation in France is characterized by a wide range of low-rate taxes, mainly in the transport sector. The French bonus-malus system proved to be successful in reducing CO₂ emissions from new vehicles but suffered from rebound effects.
- ▶ In 2020, France has increased its non-energy environmental taxes. This should be the start of a further gradual rise in environmental tax rates – including energy tax rates based on the CO₂ content of fossil fuels – in line with the other EU Member States.
- ▶ The EU should set harmonized criteria for environmental taxation by its Member States to create a level playing field in the internal market.
- ▶ To improve their acceptance, environmental taxes must be freed from the corset of having to be spent on environmental purposes or to increase the State budget. Instead, France should redistribute a considerable share of the revenues from environmental taxes to households and industries.
- ▶ France should design its environmental taxation in a way that matches the specific purpose of a tax and meets with public acceptance.

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1 Introduction

Environmental taxes are used by Member States as a means to achieve environmental standards set by EU law, such as the Directive¹ on the reduction of national emissions of certain atmospheric pollutants.² As the legislative procedure to adopt EU tax law requires the unanimity of the Council, Member States struggle to agree on a common taxation framework for environmental taxes. Thus, the fact that environmental taxes are adopted at national level leads to large tax differences within the EU. For example, environmental tax revenues in France as a share of GDP are well below the EU average.

In the run-up to expected legislative initiatives of the EU Commission as part of the Green Deal – including one on screening and benchmarking green budgeting practices of the Member States and of the EU³ – this cepInput analyses the current framework of environmental taxes in France, in particular taxes on transport, pollution and resources and seeks to draw lessons which may also apply to other Member States. First, we present the EU framework (section 2), as well as the economic and the French legal perspectives (sections 3 and 4). Next, we detail environmental taxes in France (section 5) and evaluate their effectiveness (section 6). We end by drawing some conclusions (section 7).

2 EU Framework

The definition of an environmental tax is harmonised at the EU level by Regulation on European environmental economic accounts.⁴ According to this Regulation, an environmental tax is “a tax whose base is a physical unit [...] of something that has a proven, specific negative impact on the environment [...]”.⁵ It is therefore defined by its base and not by the way in which its revenues are used nor by the intention behind its establishment. This definition is used by both Eurostat and the French system of national accounts.⁶

3 Environmental Taxes – an Economic Perspective

From an economic point of view, an environmental tax tries to tackle the problem of a “negative externality”⁷ – like air pollution – that occurs when the production or consumption of some good or service harms a third party other than the producer or the consumer of that good. A negative externality generates “external costs” – such as health and clean-up costs for air pollution – that are external to the prices paid by the producers or consumers directly involved and are not considered in their decision-making process. Consequently, price signals in the market are incorrect resulting in an inefficiently high quantity of goods and services with an associated negative externality.⁸ To correct

¹ Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants, <http://data.europa.eu/eli/dir/2016/2284/oj>.

² Ibid., [Art. 1](#). The atmospheric pollutants regulated are sulphur dioxide (SO₂), nitrogen oxides (NO_x), non-methane volatile organic compounds (NMVOC), ammonia (NH₃) and fine particulate matter (PM_{2,5}).

³ European Commission (2019), The European Green Deal, Communication of 11 December 2019, COM/2019/640, Annex, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640>.

⁴ Regulation (EU) No 691/2011 of the European Parliament and of the Council of 6 July 2011 on European environmental economic accounts, <http://data.europa.eu/eli/reg/2011/691/2014-06-16>.

⁵ Ibid., [Art. 2 \(2\)](#).

⁶ Conseil des Prélèvements Obligatoires (2019), La fiscalité environnementale au défi de l'urgence climatique [hereinafter: CPO Report (2019)], https://www.ccomptes.fr/system/files/2019-09/20190918-CPO-fiscalite-environnementale_0.pdf.

⁷ Pigou, A. (1920), *The Economics of Welfare*.

⁸ Williams III., R. C. (2016), *Environmental Taxation*, NBER Working paper N° 22303, p. 4 [hereinafter: Williams III., R. C. (2016), *Environmental Taxation*], <https://www.nber.org/papers/w22303>.

those false price signals in the market, and excessive emissions of pollutants, environmental taxes are used to introduce the costs of environmental damage into the prices of goods and services (“internalization of external costs”)⁹ – also referred to as a “Pigouvian tax”¹⁰. Thus, environmental taxes are characterized as “corrective”¹¹ taxes. They raise prices relative to other less polluting goods and services and are a means of changing the behaviour of economic agents making it more environmentally friendly as they provide an incentive to produce or consume less of the goods and services being taxed.¹² Through the internalization of external costs, the environmental damage is reduced. For economists, this corrective role of environmental taxes is crucial. The way tax revenues are spent is secondary. Therefore, the revenue of a tax does not necessarily have to be used for environmental purposes for it to be classified as an environmental tax.¹³

In a realistic policy setting, imposing a Pigouvian tax rate is challenging. The environmental damage of an additional unit of polluting emissions is difficult to estimate as the harm will occur in the future and may vary widely across locations. However, the level of a “corrective tax” should be as close as possible to the best estimate or should be high enough to bring about a change in behaviour in order to achieve a predefined environmental objective.¹⁴

4 Environmental Taxes in France – the Legal Perspective

The French legal framework for public finances also applies to environmental taxation. Finance Acts determine the revenue and expenditure of the State for a calendar year and are adopted in accordance with the provisions of the Organic Law on Finance Acts of 2001¹⁵ (LOLF).¹⁶ The French budget encompasses

- the general budget – which brings together all of the State’s revenues, in line with the non-assignment rule¹⁷ –,
- the ancillary budgets – which include some charges¹⁸ – and
- special accounts¹⁹ that comprise four categories, including special earmarked accounts.²⁰

⁹ European Environment Agency (EEA) (1996), Environmental Taxes – Implementation and Environmental Effectiveness, Copenhagen, Environmental Issues Series No. 1, [hereinafter: EEA (1996), Environmental Taxes], pp.15 et seq., <https://www.eea.europa.eu/publications/92-9167-000-6>.

¹⁰ A “Pigouvian tax” is tax with a rate equal to the external cost of an additional unit of emissions of pollutants. Pigou, A. (1920), The Economics of Welfare.

¹¹ Williams III., R.C. (2016), Environmental Taxation, p. 4.

¹² Ibid.

¹³ This is in line with the definition used by Eurostat. Eurostat, Eurostat metadata, https://ec.europa.eu/eurostat/cache/metadata/en/env_ac_tax_esms.htm.

¹⁴ Chiroleu-Assouline, M. (2015), La fiscalité environnementale en France peut-elle devenir réellement écologique?, <https://www.cairn.info/revue-de-l-ofce-2015-3-page-129.htm>.

¹⁵ Loi organique n° 2001-692 du 1 août 2001 relative aux lois de finances, <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000000394028&dateTexte=20200327>.

¹⁶ Constitution of 4 October 1958, Art. 34, <https://www.conseil-constitutionnel.fr/en/constitution-of-4-october-1958>.

¹⁷ Loi organique n° 2001-692 du 1 août 2001 relative aux lois de finances, [Art. 6](#).

¹⁸ Ibid., [Art. 18](#).

¹⁹ Ibid., [Art. 19 and 21](#).

²⁰ Loi n° 2019-1479 du 28 décembre 2019 de finances pour 2020, [Art. 89 and 90](#): Until the Finance Act for 2020, some special earmarked accounts were related to the environment (“Energy transition” created in 2015; “Support for the acquisition of clean vehicles”, created in 2007). These accounts are now scheduled to be closed.

The rules concerning the tax base, rates and methods of collection of all types of taxes are determined in statutes.²¹ Hence, Finance Acts are initiated by the Government, but adopted by Parliament.²² Environmental taxes can be split into three categories, based on their purpose.²³

- (1) The purpose of “fiscal environmental taxes” is budgetary, meaning that the principal objective pursued by the legislator is to raise revenue for the general budget.²⁴
- (2) Through “corrective taxes” the legislator seeks to achieve a general interest objective, such as preserving and improving the environment²⁵ or fighting against global warming.²⁶
- (3) “Charges” refer to the payment by the users of a public service of a sum of money, which is proportional to the service rendered – direct compensation for the public service.²⁷

Before their promulgation, the Constitutional Council²⁸ can examine the conformity of Finance Acts with the French Constitution.²⁹ The Constitution guarantees inter alia “equality before taxation”, which comprises the principles of equality before the tax law and before the public expenses burden.³⁰ According to these principles, differences between taxpayers should be directly linked to the purpose of the tax, and based on objective and rational criteria linked to the objective pursued by the legislator.³¹ The French “Charter for the Environment” — which has constitutional rank since 2005³² — ensures rights and duties such as the right to live in a balanced and healthy environment and the polluter pays principle.³³ For Constitutional Council Decisions the coherence of environmental taxation is particularly relevant.³⁴ When examining the “equality before taxation”, the Constitutional Council examines whether the legislator wanted to raise revenue or to achieve a general interest objective.³⁵ With regard to fiscal environmental taxes, the Constitutional Council principally examines whether the

²¹ Constitution of 4 October 1958, [Art. 34](#).

²² *Ibid.*, [Art. 24, 34, 40 and 47](#).

²³ If the purpose is unclear, the legislator’s reason for devising the tax can be clarified by analysing the explanatory memorandum and the impact assessment, which the Government submits along with the draft Finance Act, as well as the debates in Parliament. Conseil des impôts (2005), *Fiscalité et environnement*, 23^{ème} rapport au Président de la République, pp. 10–11 [hereinafter: Conseil des impôts (2005), *Fiscalité et environnement*], https://www.ccomptes.fr/sites/default/files/EzPublish/Rapport_2.pdf; EEA (1996), *Environmental Taxes*, p. 21.

²⁴ Inspection Générale des Finances (IGF) / Conseil Général de l’Economie (CGE) / Conseil Général de L’Environnement et du Développement Durable (CGEDD) (2018), *Évaluation de l’Impact Environnemental et Économique de la Taxe Générale sur les Activités Polluantes (TGAP) sur les Émissions de Polluants Atmosphériques*, [hereinafter: IGC / CGE / CGEDD (2018), *TGAP Air Report*], p. 14, <https://www.vie-publique.fr/sites/default/files/rapport/pdf/194000383.pdf>; Collin, P. (2014), *Fiscalité environnementale et Constitution*.

²⁵ Charter for the Environment of 2004, [Art. 2](#), <https://www.conseil-constitutionnel.fr/en/charter-for-the-environment>.

²⁶ IGC / CGE / CGEDD (2018), *TGAP Air Report*, p. 14; Collin, P. (2014), *Fiscalité environnementale et Constitution*.

²⁷ Conseil constitutionnel, Decision of 23 June 1982, No 82–124 L, [FR:CC:1982:82.124.L](#), paragraphs 2–5, <https://www.conseil-constitutionnel.fr/decisions>.

²⁸ Constitution of 4 October 1958, [Art. 56 et seq.](#)

²⁹ *Ibid.*, [Art. 61\(2\)](#).

³⁰ *Ibid.*, [Preamble](#) combined with Declaration of Human and Civic Rights of 26 August 1789, [Art. 6 and 13](#), <https://www.conseil-constitutionnel.fr/en/declaration-of-human-and-civic-rights-of-26-august-1789>; Fouquet, O. (2011), *Nouveaux Cahiers du Conseil constitutionnel* n° 33, <https://www.conseil-constitutionnel.fr/nouveaux-cahiers-du-conseil-constitutionnel/le-conseil-constitutionnel-et-le-principe-d-egalite-devant-l-impot>.

³¹ Fouquet, O. (2011), *Nouveaux Cahiers du Conseil constitutionnel* n°33.

³² Loi constitutionnelle n° 2005-205 du 1er mars 2005 relative à la Charte de l’environnement, <https://www.legifrance.gouv.fr/eli/loi/2005/3/1/JUSX0300069L/jo/texte>.

³³ Charter for the Environment of 2004, [Art. 1–4](#). By Decision [No. 2019-823 QPC](#), the Constitutional Council also enshrined the constitutional rank of the objective of environmental protection.

³⁴ Assemblée nationale (1998), *Rapport d’information n° 1000, sur la fiscalité écologique*, p. 29, <http://www.assemblee-nationale.fr/rap-info/i1000.asp>; Collin, P. (2014), *Fiscalité environnementale et Constitution*.

³⁵ IGC / CGE / CGEDD (2018), *TGAP Air Report*, p. 15; Beaufils, C. (2019), *Le cadre juridique de la fiscalité environnementale*, p. 28.

public expenses burden is equally distributed among the citizens, according to their ability to pay.³⁶ With regard to environmental corrective taxes, the polluter pays principle also has to be taken into account, based on the taxpayer's damage to the environment.³⁷ Thus, the Constitutional Council assesses mainly whether the design of the tax adopted matches its purpose.³⁸ This will not be the case if differences in the way taxpayers are treated are not directly related to the objective being pursued — in particular where the exemptions are too numerous or are unconnected with the stated objective.³⁹ For instance, the Constitutional Council has censured the provision in the Finance Act for 2010 introducing a CO₂ tax via a “carbon contribution”, because the system of exemptions was in contradiction with the stated objective of fighting against global warming — and thus in breach of the principle of equal distribution of the public expenses burden.⁴⁰ In fact, the preparatory legislative works indicated that the main purpose of this tax was to “implement instruments to facilitate a significant reduction in greenhouse gas emissions”.⁴¹ By contrast, in another decision, the Constitutional Council validated the increase and assignment of the tax on flight tickets for 2020 as compliant with the Constitution.⁴² The Constitutional Council ruled that the main purpose of the tax was budgetary rather than corrective — even if one of the objectives was to combat greenhouse gases through the development of rail transport — and that the criteria used for taxation were objective and rational.⁴³

5 The System of Environmental Taxes in France

Environmental taxes have been used increasingly in many Member States since the 1980s: mainly in Sweden and Denmark but also in Austria, Belgium, France, Germany, The Netherlands and the United Kingdom.⁴⁴ Environmental taxes in France cover a range of 32 taxes, 17 of which have a yield of more than € 150 million each.⁴⁵ This reflects the French Government's willingness to use taxation to change certain behaviour in the areas of health and the environment.⁴⁶ Together they accounted for € 56 billion in 2018, representing 2.38% of GDP and 5.12% of total revenue from taxes and social contributions, putting France in 17th and 27th position, respectively, in the EU ranking.⁴⁷ On its own, the latter position might be misleading since France is the Member State with the highest share of taxes and social contributions as a percentage of GDP – with a ratio of 48.4% in 2018.⁴⁸ In general,

³⁶ Conseil constitutionnel, Decision of 29 December 2013, No 2013-685 DC, [FR:CC:2013:2013.685.DC](#), paragraph 51 and Decision of 27 December 2019, No 2019-796 DC, [FR:CC:2019:2019.796.DC](#), paragraph 47.

³⁷ Conseil des impôts (2005), *Fiscalité et environnement*, p. 96; Conseil constitutionnel, Decision of 28 December 2000, No 2000-441 DC, [FR:CC:2000:2000.441.DC](#), paragraphs 36–38.

³⁸ Conseil constitutionnel, Decision of 29 December 2009, N° 2009-599 DC, [FR:CC:2009:2009.599.DC](#), paragraph 80.

³⁹ Collin, P. (2014), *Fiscalité environnementale et Constitution*; Beaufile, C. (2019), *Le cadre juridique de la fiscalité environnementale*, § 121–122.

⁴⁰ Conseil constitutionnel, Decision of 29 December 2009, No 2009-599 DC, [FR:CC:2009:2009.599.DC](#), paragraphs 77–83.

⁴¹ *Ibid.*, paragraph 81.

⁴² Conseil constitutionnel, Decision of 27 December 2019, N° 2019-796 DC, [FR:CC:2019:2019.796.DC](#), paragraphs 42–50.

⁴³ *Ibid.*, paragraph 46.

⁴⁴ EEA (1996), *Environmental Taxes*, pp. 7 and 13.

⁴⁵ Gomez, F. / Gudefin, P. (2019), *Panorama de la fiscalité environnementale en France*, rapport particulier n° 1, p. 39 [hereinafter: Gomez / Gudefin (2019), *Panorama de la fiscalité environnementale en France*], <https://www.ccomptes.fr/system/files/2019-09/20190918-rapport-particulier1-CPO-fiscalite-environnementale.pdf>.

⁴⁶ Inspection Générale des Finances (IGF) / Ministère de l'Économie et des Finances (2014), *Rapport N° 2013-M-095-02, Les taxes à faible rendement*, Tome 1, p. 2, <http://www.igf.finances.gouv.fr/files/live/sites/igf/files/contributed/IGF%20inter%20net/2.RapportsPublics/2014/2013-M-095%20Tome%201.pdf>.

⁴⁷ Eurostat, Database – Environmental Tax Revenues, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=env_ac_tax&lang=en.

⁴⁸ Eurostat (2019), *Taxation in 2018*, News Release 166/2019, p. 1, <https://ec.europa.eu/eurostat/documents/2995521/10190763/2-30102019-AP-FR.pdf/c6a6cdc7-43a3-61e1-cca8-2f4efb738601>.

environmental taxes are not indexed to inflation. Thus, inflation tends to erode their capacity to bring about a behavioural change in the long run.⁴⁹

Environmental taxes in France are presented in Eurostat statistics under three categories: energy taxes (5.1), transport taxes (5.2) and taxes on pollution and resources (5.3).

5.1 Energy Taxes

Energy taxes in France are mainly based on energy consumption – 84% of revenues in 2018 – and partly on CO₂ emissions from fossil fuel consumption. With a carbon tax in place since 2014, France had the fourth highest taxation level in the EU for both petrol and diesel in 2019.⁵⁰ However, energy taxes in France entail many tax exemptions and reductions benefitting mainly the transport and agriculture sector – amounting to € 5.85 billion in 2018^{51, 52}

5.2 Transport Taxes

Transport taxes in France comprise a set of 17 taxes and represented a total of € 6.32 billion in 2018.⁵³ France differs from other Member States in the low level of revenues from transport taxes – 11% of revenues from environmental taxes compared to 20% in the EU – partly due to relatively low⁵⁴ tax rates.⁵⁵ Nevertheless, France is one of the few Member States that taxes heavy goods vehicles (HGVs)⁵⁶ and is seeking to increase taxes on air transport, even if the rates remain low.⁵⁷ The tax on registration certificates – based on the taxable horse power of vehicles – and the tax on passenger vehicle insurance premiums – account for half of total transport tax revenues. The tax on HGVs in France⁵⁸ is mainly set to make users pay for the use of roads – i.e. for the costs of road deterioration – as its rate varies according to the weight of the vehicle, the number of axles and the suspension system.⁵⁹ Indirectly, – by making road haulage more expensive – it partially corrects for other environmental and health externalities. The tax on flight tickets (TSBA)⁶⁰ is based on the number of passengers on board, the category of the ticket and the destination – EU / non-EU. While waiting for a “European

⁴⁹ MTES (2017), *Fiscalité environnementale: Un état des lieux*, p. 7.

⁵⁰ European Automobile Manufacturers Association (2019), *ACEA Tax Guide 2019* [hereinafter: ACEA Tax Guide (2019)], p. 8, https://www.acea.be/uploads/news_documents/ACEA_Tax_Guide_2019.pdf.

⁵¹ CPO Report (2019), p. 15.

⁵² Hanafi, O. (2020), *Energy Taxation in France – State of Play in the Run-Up to the EU Energy Tax Reform*, [ceplnput No. 9/2020](https://ceplnput.org/No.9/2020).

⁵³ Eurostat, Database – Environmental Tax Revenues.

⁵⁴ EU Commission (2019), *Transport taxes and charges in Europe*, p. 36 [hereinafter: EU Commission (2019), *Transport taxes report*], <https://ec.europa.eu/transport/sites/transport/files/studies/transport-taxes-and-charges-in-europe-isbn-978-92-79-99561-3.pdf>.

⁵⁵ Ministère de la Transition Écologique et Solidaire (MTES) (2017), *Fiscalité environnementale: Un état des lieux* [hereinafter: MTES (2017), *Fiscalité environnementale: Un état des lieux*], p. 21, <http://temis.documentation.developpement-durable.gouv.fr/docs/Temis/0086/Temis-0086030/22911.pdf>.

⁵⁶ “The axle tax rate for vehicles weighing more than 12 tonnes was lowered in 2009 in preparation for the introduction of the HVG eco-tax initially planned for January 2014. Despite the abandonment of the heavy vehicle ecotax in 2015, the axle tax has not been restored to its previous level”. See Chiroleu-Assouline, M. (2015), *La fiscalité environnementale en France peut-elle devenir réellement écologique?*, p. 142.

⁵⁷ EU Commission (2019), *Transport taxes and charges in Europe*, p. 36; Paul, V. (2019), *Ecotax on airline tickets: in Europe, other countries go much further*, *L'express*, https://www.lexpress.fr/actualite/societe/environnement/ecotaxe-sur-les-billets-d-avion-en-europe-d-autres-pays-vont-bien-plus-loin_2088919.html.

⁵⁸ “Taxe Spéciale sur certains Véhicules Routiers”.

⁵⁹ Service Public (2019), *Taxe à l'essieu (taxe spéciale sur certains véhicules routiers – TSVR)*, <https://www.service-public.fr/professionnels-entreprises/vosdroits/F31220>.

⁶⁰ “Taxe de solidarité sur les billets d'avion”.

coordination of aircraft pricing”⁶¹ based on CO₂ emissions, France increased this tax in 2020. The increase is 40% for business class tickets to all destinations and economy class tickets to destinations outside the EU, while it has doubled for economy class passengers on flights into the EU. Its maximum rate is € 63.07 for business class flights to destinations outside the EU.⁶² By taxing tickets, one of the aims is to bring down the number of flights and thereby reduce CO₂ emissions as well as other environmental externalities.

Three taxes are explicitly based on CO₂ emissions: the tax on company vehicles (TVS)⁶³, the tax on the purchase of the most “polluting” new passenger vehicles (“malus”)⁶⁴ and the annual tax on the ownership of “polluting passenger vehicles” (“annual malus”).⁶⁵

The TVS has two taxable components, one based on CO₂ emissions of the vehicle – up to € 29 for a vehicle that emits more than 250 g CO₂/km – and the other on the emission of atmospheric pollutants according to the type of fuel used by the vehicle – up to € 600 for diesel vehicles first put on the road prior to 2000.⁶⁶ The purchase or registration of passenger vehicles is taxed in most Member States.⁶⁷ The highest tax rates apply in Denmark ranging from 85% to 150% of the vehicle’s taxable value equivalent and a minimum tax rate of around € 2,677.⁶⁸ In France, in addition, a tax penalty (“malus”) on the purchase of new “polluting vehicles” aims to guide consumers towards low carbon models. In 2019, the maximum malus was € 10,500 for passenger vehicles emitting at least 191 gCO₂/km.⁶⁹ The Finance Act for 2020 introduces a marked increase in the penalty with a ceiling of € 20,000 for a passenger vehicle emitting more than 184 g CO₂/km.⁷⁰ This affects less than 1% of the market in France.⁷¹ Before 2020, the income from this tax was used to finance purchase subsidies (“bonus”) of up to € 6,000 for passenger vehicles emitting 20 g CO₂/km or less, as well as a “conversion bonus” – up to € 5,000 for hybrid vehicles – granted to low-income households in exchange for vehicles over 15 years old that were destined to be scrapped.⁷² This bonus-malus mechanism, in place since 2008, aims to encourage the acquisition of low-polluting vehicles and thus accelerate the renewal of the French vehicle fleet. Since 2016 the bonus has been reserved exclusively for electric and hybrid vehicles. The “annual malus” amounts to € 160 for all vehicles that emit more than 191 g CO₂/km. The bonus-malus mechanism as well as the annual malus had a positive impact on theoretical CO₂ emissions from new vehicles⁷³ which averaged 112.2 g/km in 2018 in France, compared to 120.6 g/km in the EU.⁷⁴ However, their impact on the environment has been reduced by a strong “rebound effect”: consumers with more fuel-efficient vehicles increase the frequency and duration of

⁶¹ Ministère de l’Europe et des Affaires étrangères (2019), Coordination européenne de la tarification de l’aviation, <https://ue.delegfrance.org/ccoordination-europeenne-de-la>.

⁶² LOI n° 2019-1479 du 28 décembre 2019 de finances pour 2020, [Art. 72, https://www.legifrance.gouv.fr/eli/loi/2019/12/28/2019-1479/jo/texte](https://www.legifrance.gouv.fr/eli/loi/2019/12/28/2019-1479/jo/texte).

⁶³ “Taxe sur les véhicules de société”; Code général des impôts, [Art. 1010](#).

⁶⁴ “Taxe à l’achat des véhicules particuliers neufs les plus polluants”.

⁶⁵ “Taxe annuelle sur les véhicules les plus polluants”.

⁶⁶ Code général des impôts, [Art. 1010](#).

⁶⁷ EU Commission (2019), Transport taxes report, pp. 38 et seq.

⁶⁸ ACEA Tax Guide (2019), p. 65.

⁶⁹ Code général des impôts, [Art. 1001 bis](#), Version in force from 1 January 2019 to 1 January 2020.

⁷⁰ Code général des impôts, [Art. 1001 bis](#), Version in force with term from 1 January 2020 to 1 July 2020.

⁷¹ Subtil, R. (2019), Le malus écologique déplafonné lors de l’achat des voitures neuves, [La Croix](#).

⁷² Code de l’énergie, [Art. D.251-3](#); Service Public (2020), Prime à la conversion (prime à la casse) pour remplacer un ancien véhicule, <https://www.service-public.fr/particuliers/vosdroits/F32487>.

⁷³ As opposed to fuel taxes it has no influence on CO₂ emissions of old vehicles and how intensively cars are used.

⁷⁴ CCFA (2019), CO₂ emissions from new passenger vehicles have started to rise again in the EU, <https://ccfa.fr/analyse/les-emissions-de-co2-des-vehicules-neufs-sont-reparties-a-la-hausse-dans-lue/>.

their journeys. In addition, subsidies for vehicle purchases have resulted in an increase in the vehicle fleet, contributing to higher emissions.⁷⁵

Table 1 documents the main transport taxes in France, the tax revenue which they generate and the range of applicable tax rates.

Table 1: Transport taxes in France

| Transport Taxes | Tax Revenue Mill. € (2018) | Tax Base | Tax Rates (2020) | Tax Revenue Allocation |
|---|----------------------------|---------------------------------------|---------------------------|--|
| Tax on registration certificates | 2,326 | Fiscal power | € 33 – € 51.20 per year | Regions |
| Tax on passenger vehicle insurance premiums | 1,019 | Amount of premium | 15% – 33% | Social Security |
| Special tax on heavy road vehicles (TSVR) | 102 | Weight (>12 tons) & Suspension system | € 8 – € 466 per half-year | General Budget |
| Tax on flight tickets (TSBA) | 217 | Number of passengers | € 2.63 – € 63.07 | Solidarity Fund for Development** |
| Company vehicle tax (TVS) | 751 | CO ₂ & air pollutants | € 20 – € 600 per year | Social Security |
| Malus | 560 | CO ₂ /km | € 35 – € 20,000 per year | Before 2020: bonus Since 2020: general Budget |
| Annual malus | 1* | CO ₂ /km | € 160 | General Budget |
| Other transport taxes | 1,341 | – | – | – |
| Total transport taxes | 6,317 | – | – | – |

* 2016 data.

** since 2020 also French Agency for Transport Infrastructures Funding.

Source: LOI n° 2019-1479 du 28 décembre 2019 de finances pour 2020; MTES (2017), Fiscalité environnementale: Un état des lieux, p. 112 ; SENAT (2019), Rapport Général N° 140, p. 15, <https://www.senat.fr/rap/l19-140-34/l19-140-341.pdf>.

5.3 Taxes on Pollution and Resources

Taxes on pollution and resources represent 5% of total environmental tax revenues and consist mainly of a tax on polluting activities (TGAP)⁷⁶ and charges on water resources usage (“water charges”)⁷⁷ – accounting for about 90% of revenues of taxes on pollution and resources.⁷⁸

The TGAP was instituted by the Finance Act for 1999.⁷⁹ Based on the polluter-pays principle, it is paid by companies whose activities or products are deemed to cause pollution. The purpose of this tax is to combat air pollution and the emission of waste or products that cannot be easily absorbed by the environment.⁸⁰ Since 2018, all TGAP revenues go to the state’s general budget.⁸¹ The TGAP has a very broad scope, and several components have evolved over time. We focus here only on the components

⁷⁵ Becker, E. (2013), Évaluation économique du dispositif d’écopastille sur la période 2008-2012, Etudes et documents n°84, Commissariat général au développement durable, <http://temis.documentation.developpement-durable.gouv.fr/docs/Temis/0078/Temis-0078465/20744.pdf>.

⁷⁶ “Taxe Générale sur les Activités Polluantes”.

⁷⁷ “Les redevances pour atteintes aux ressources en eau, au milieu marin et à la biodiversité”.

⁷⁸ Percentage calculated on the basis of data for the year 2017; Gomez / Gudefin (2019), Panorama de la fiscalité environnementale en France, p. 8.

⁷⁹ LOI n° 98-1266 du 30 décembre 1998 de finances pour 1999, Art. 45, <https://www.legifrance.gouv.fr/eli/loi/1998/12/30/ECO9800125L/jo/texte>.

⁸⁰ MTES (2017), Fiscalité environnementale: Un état des lieux, p. 18.

⁸¹ LOI n° 2017-1837 du 30 décembre 2017 de finances pour 2018, Art. 57, Tableau annexe, <https://www.legifrance.gouv.fr/eli/loi/2017/12/30/CPAX1723900L/jo/texte>.

“Waste” and “Pollution”. The Finance Act for 2020⁸² has harmonised the rules on waste management. The TGAP no longer differentiates between hazardous and non-hazardous waste. From 2020 onwards, a significant increase in the costs of storage and incineration brings them closer to the cost of recycling.⁸³ The TGAP on pollution is criticized⁸⁴ for its low rates – providing little incentives – and its small amount of revenues of € 59 million in 2016.⁸⁵ Problematic is the low impact of the tax on nitrogen oxide (NO_x) emissions. Since 2010, in large cities such as Paris, Lyon, Marseille and Grenoble EU limit values on nitrogen dioxide (NO₂) have not been observed.⁸⁶ Although NO₂ is mainly emitted by road traffic and, particularly, by diesel vehicles, the NO_x tax is mainly paid by companies in the electricity, steel and oil refining sectors – responsible for only 17% of NO_x emissions.⁸⁷

Eight different water charges⁸⁸ with a total revenue of € 2.1 billion are collected by the water agencies⁸⁹ as of 2019.⁹⁰ They are used to combat pollution and rationalize the use of water resources. Charges on domestic water pollution are based on the volume of water billed; tax rates for diffuse pollution paid by the agriculture sector are too low to encourage a reduced use of pollutants.⁹¹

6 Assessment

In the run-up to the expected legislative initiatives of the EU Commission as part of the Green Deal, the effectiveness of environmental taxes in the EU needs to improve. The effectiveness of environmental taxes depends on two main aspects, first they must be designed in a way which matches their purpose; and second they must be acceptable.

The design of taxes depends on their underlying objective. When it comes to environmental taxes, economists highlight their corrective role, making no clear distinction between a corrective and a fiscal environmental tax as both have incentive effects and raise revenues. From a legal point of view, however, the way in which a tax is designed may determine whether it is consistent with the Constitution. In France, taxes have to be designed by the legislator in accordance with the objective pursued. In the case of environmental taxes with a corrective purpose, the design must ensure that the general interest objective can be achieved. From an economic point of view, the tax rates should be set at the optimum level that ensures the achievement of the targets.⁹² In France, energy taxes have relatively high rates compared to other Member States. However, the tax rates for transport and for the emission of air pollutants by manufacturers are too low to provide an effective incentive to meet

⁸² LOI n° 2019-1479 du 28 décembre 2019 de finances pour 2020, Art. 63,

<https://www.legifrance.gouv.fr/eli/loi/2019/12/28/CPAX1925229L/jo/texte>.

⁸³ The average cost – excluding taxes – of recycling is currently € 144 per tonne, compared to € 105 for incineration and € 68 for storage. Gomez / Gudefin (2019), *Panorama de la fiscalité environnementale en France*, p. 52.

⁸⁴ IGC / CGE / CGEDD (2018), TGAP Air Report, p. 3; Chiroleu-Assouline (2015), *La fiscalité environnementale en France peut-elle devenir réellement écologique?*

⁸⁵ IGC / CGE / CGEDD (2018), TGAP Air Report, p. 3.

⁸⁶ In this respect, France was recently sentenced to pay fines by the European Court of Justice (CJEU) for failing to comply with the limit values for nitrogen dioxide (NO₂) emissions set by EU law. CJEU, Judgement of 24 October 2019, *European Commission vs. French Republic*, C-636/18.

⁸⁷ IGC / CGE / CGEDD (2018), TGAP Air Report, p. 9.

⁸⁸ Code de l'environnement, [Art. L 213-10](#) et seq. Among others: charges for water pollution (both domestic and non-domestic); for diffuse pollution; for extracting water resources; for water pollution from livestock farms.

⁸⁹ Code de l'environnement, [Art. L 213-10](#).

⁹⁰ LOI n° 2018-1317 du 28 décembre 2018 de finances pour 2019, Art. 83 I. B., <https://www.legifrance.gouv.fr/eli/loi/2018/12/28/CPAX1823550L/jo/texte>.

⁹¹ IGF / CGEDD (2018), *L'avenir des opérateurs de l'eau et de la biodiversité*, Annexe IV, pp. 24 and 38, <https://www.vie-publique.fr/rapport/37520-lavenir-des-operateurs-de-leau-et-de-la-diversite>.

⁹² Chiroleu-Assouline, M. (2015), *La fiscalité environnementale en France peut-elle devenir réellement écologique?*.

the compulsory EU targets for CO₂ emissions and air pollution reduction.⁹³ Even though France has already increased its environmental tax rates in 2020 – particularly for the bonus-malus system, the TSBA and the TGAP – the levels remain low. It is therefore particularly important for France to continue raising environmental tax rates gradually, whilst giving firms time to plan their investments and taking account of public acceptability.

The acceptability of environmental taxes is of great concern to the French Government as their implementation or their increase has led to protests such as the Yellow Vest movement initiated by French citizens after the rise of energy taxes, and the Red Caps movement in the transport sector against the tax on HGVs. It will need comprehensive impact assessments to determine the welfare gain from a per capita redistribution of part of the revenues that could improve the acceptance by both civil society and the industrial sector. In order to preserve the competitiveness of French companies, tax increases should be supplemented by accompanying measures, such as project support for environmental investment measures or reductions of other taxes, and harmonisation at the EU level. This is where the EU Green Deal may bring about a big step forward if EU legislation provides for a level playing field with harmonized tax rates. Moreover, as environmental taxes in France are criticised for increasingly being assigned to the general budget or for their budgetary purpose, the French Government needs to increase its efforts to raise public awareness of the corrective role of environmental taxes regardless of how their revenues are used and of the fact that environmental protection can be financed from the general budget regardless of where the tax revenue comes from. In addition, it is important to keep in mind that revenues from “corrective taxes” are likely to decline as their objectives are achieved. Finally, a higher level of acceptability can be achieved by reinforcing the polluter pays principle for taxes on emissions of atmospheric pollutants in the transport sector and for water charges and by reducing exemptions and reductions to fossil fuel energy taxes.

7 Conclusion

Environmental taxation in France, as compared to other Member States, is characterized by a broad range of low-rate taxes, mainly in the transport sector. The French bonus-malus system proved to be successful in reducing CO₂ emissions from new vehicles but suffered from rebound effects. In 2020, as France has increased its non-energy environmental taxes, this could be the start of a further gradual rise in the other environmental tax rates – including energy tax rates based on CO₂ – in line with the other Member States. The EU should set harmonized criteria for the environmental taxation by the Member States to create a level playing field in the internal market. To promote this in EU negotiations, the French Government needs to improve the acceptance of environmental taxes by both civil society and the industrial sector. Environmental taxes must therefore be freed from the corset of having to be spent on environmental purposes or to increase the State budget. Instead, France should redistribute a considerable share of the revenues to households and industries. The French legislator will have to design environmental taxes to match their purpose in order to guarantee their conformity with the Constitution.

⁹³ IGC / CGE / CGEDD (2018), TGAP Air Report.

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