Annex A. Development and implementation checklists

1. Environmentally related product taxes

Key initial policy decisions

- Identify priority areas where taxation could achieve a clear environmental benefit by reducing production or consumption of the taxed product.
- For environmental effectiveness, the tax or tax differentiation needs to apply to clearly identified products which are associated with environmental damage in the course of production or consumption, while not taxing alternative products which involve less environmental damage.
- Ensure that the level of environmental element in taxation is proportionate to the scale of environmental damage involved, and avoid introducing environmentally related taxes which are too low to change behaviour (i.e. the rate is less than 10% of the product's sales price).
- Determine where the revenues will be allocated. For environmental effectiveness it is not essential that the revenue from the taxes be earmarked to environmental expenditures.
- Prioritise the removal of environmentally-harmful subsidies before introducing environmental taxes
- Wherever possible, introduce environmental incentives into the structure of existing product taxes (such as fuel excises), since this will avoid the high costs of setting up and running new taxes.
- An early priority should be to establish institutional arrangements for co-operation in policy development and operation between the government departments and agencies responsible for the environment and those responsible for tax policy and operation.

Key legislative provisions

- Define the tax base (what is to be taxed?). Where practicable, implement environmentally related product taxes as an amount per unit or quantity, rather than as a percentage of selling price, since this will link the tax more closely to environmental damage.
- Define where the liability to pay tax arises (e.g. at the point of production or import, or alternatively at the point of retail sale?). This definition needs to be clear and unambiguous to ensure that each item sold is taxed and taxed only once. The taxes should apply equally to domestic production and imported goods to avoid distorting competition between domestic manufacturers and importers.

- Define the rate of tax or a procedure by which the rate of tax is to be determined.
- Include provisions for revising the tax in future years, in particular to take account of inflation.
- Define the responsibilities of taxpayers to provide required information for the administration of the tax (e.g. to register as producers or importers of the commodity subject to the tax, to provide a statement of the quantity produced or imported in the relevant period, to give access to other information that may be requested to verify the accuracy of this statement).
- Definition the time period over which the tax is assessed (monthly, quarterly or annual production and imports), and associated deadlines for filing required information and for making payments.
- Define the powers for investigation of tax evasion and penalties for failure to supply information or providing false or inaccurate information.

Implementation and monitoring

- Before introduction, develop a public communication strategy to explain the purpose and merits of the tax to address concerns that industry and households may have about the impact of the additional tax burden.
- Once the tax is operational, ensure that the effectiveness of its administration is regularly reviewed and any necessary improvements made.
- Put in place arrangements to ensure that tax rates are annually updated in line with inflation, to avoid the erosion of environmental effectiveness.

2. Deposit-refund systems

Key initial policy decisions

- Identify clearly the reason for introducing a DRS, bearing in mind the significant costs that DRS can impose on both producers and consumers.
- Decide whether to impose obligations on each producer to operate a DRS for their products or to establish a common industry-wide DRS covering all producers (a requirement for each firm to operate its own DRS can place a heavy burden on smaller producers).

Key legislative provisions

- Define the scope of the DRS so that it is clear which products are covered and which firms are required to participate in the scheme. To avoid distortion of competition, the scheme should apply equally to domestic producers and importers.
- Specify the deposit rate to be charged on each product, or setting up a procedure by which the deposit rates are to be determined and updated annually in line with inflation.
- For an industry-wide scheme, establish a public or an industry-run agency responsible for levying deposits, coordinating collection arrangements and

making refunds. Specify how the operating costs of the agency will be covered – through a levy per unit sold on all producers and importers, or through a financial allocation from the public budget.

- Require retail outlets to collect all items covered by the scheme and not just those that they have sold (some exemption from this obligation might be appropriate for small retailers).
- Require the agency to establish arrangements to reimburse retailers – regularly, fully and promptly – for the refunds they have paid out, basing the refunds on the quantity of items they have collected.
- Require the agency to make arrangements for recycling of collected items where these cannot be re-used by individual producers.
- Establish arrangements for covering the costs of the agency's operation and setting performance targets for the collection and recycling rates it should achieve, as well as respective annual reporting requirements.

Implementation and monitoring

- Develop and run a public information campaign to ensure that the public is aware of the DRS and the arrangements for product return.
- Monitor the agency's performance and investigate and address non-compliance by retail outlets.
- Update deposit rates periodically to avoid their erosion due to inflation.

3. Extended Producer Responsibility

Key initial policy decisions

- Identify clearly the purpose of introducing EPR in terms of separate management of wastes from the products selected for EPR. Shifting waste management costs from municipalities to firms is not a sufficient reason to justify the burden that EPR will impose on firms and consumers.
- Specify the scope of an EPR scheme in terms of the group of products to be covered (WEEE, packaging, end-of-life vehicles, etc.). If EPR schemes for more than one group of products are to be implemented, establish co-ordination arrangements for policy development, to ensure that, as far as practicable, they are established to a common design.

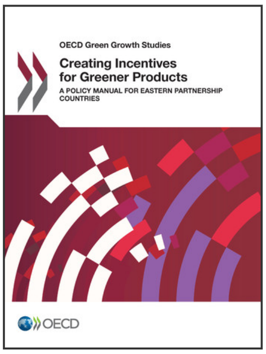
Key legislative provisions

- Set clear criteria to identify the firms to which the EPR obligations apply, with equal treatment of domestic producers and importers.
- Specify the constitution of the initial Producer Responsibility Organisation (PRO) through which firms can collectively discharge their obligations regarding the collection and recycling of the items covered by the scheme.
- Establish provisions to allow firms to opt out of the collective PRO and create their own collection arrangements, provided that they can demonstrate that they achieve the equivalent targets for collection and recycling rates.

- Specify the basis on which produces and importers are required to make annual contributions to the running costs of the PRO. This should be a clear and simple formula to divide up the total cost between participating firms in proportion to each firm's sales/imports of the products in question over the preceding year.
- Make a provision for the public budget to contribute an amount corresponding to the costs of handling the products of firms which have gone out of business.
- Specify how the collection and recycling performance targets for the PRO will be set and establish arrangements for annual financial audit and performance monitoring.
- Set the sanctions that will be applied to the PRO and its shareholder firms if it does not achieve its performance targets. These sanctions need to be at a level sufficient to ensure compliance and, therefore, should be set at a level that is likely to exceed the financial savings that firms might make through non-compliance.

Implementation and monitoring

- Develop and run a public information campaign to ensure that the public is aware of the arrangements for waste separation and product return.
- Set appropriate collection and recycling rate targets for the PRO (or each PRO, where more than one operate) before the start of the operating year.
- Require all PROs and any firms undertaking their own collection and recycling operations to report annually on the quantities of items collected and their subsequent re-use and recycling, their operating costs, income from sales of recycled materials, and the net operating cost to be financed by contributions from the participating firms. These statements should be subject to processes of both financial and environmental audit to verify their accuracy.
- After three years of operation, commission a study to assess the operation of the scheme, including the operating costs borne by firms and consumers and any adverse impacts on competition, and to make recommendations for any necessary changes.



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