ANNEX 2

METHODOLOGY

EVALUATION QUESTIONNAIRE
ASSESSMENT QUESTIONS FOR THE APPRAISAL OF TAXES AND CHARGES
QUESTION PROMPTER

Tax Design (essential)
- Current Level (past and future profiles; ramp up rates)
- What is the point of application of the tax?
- What level set at - EU, National, Regional or Local?
- Was there an externality evaluation supporting the design of the tax?
- Was there an *ex ante* assessment carried out?

Process Development of the Tax. (useful)
- Date of ‘first discussion’
- Date of first implementation

Organisations Roles (useful)
- Who designed the tax?
- Who is responsible for the implementation/administration (tax collection)?
- Who decides whether there are any exemptions?
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- Who monitors the level of pollution (etc) and is this tax/charge specific?

Intentionality of Tax (useful) Was the tax initially aimed to
(a) have a significant incentive effect to reduce pollution, polluting product use ?
(b) primarily to raise revenue for particular environmental activities (and thus have indirect environmental effect);
(c) simply raise revenue for the exchequer.
Furthermore
(d) was there / is there any concern for particular sectors of industry (link to exemptions)

Revenue (essential)
- What revenue has been raised? (year by year profile)
- Who determines the use of revenues? Are these revenues earmarked or not (i.e. is there hypothecation)?
- What is the mechanism for revenue recycling?
- What are the revenues used for (activities, sectors, tax shifts)?
- Does the use of the revenues lead to any likely positive environmental effects?
- What is the level of revenue as a percentage of GDP, and as a percentage of sector turnover?

Portfolio of Policy Instruments – Complementarity and Substitutability of Taxes with other Instruments (useful)
- Have the taxes been implemented on their own, or part of whole package of instruments (describe)?
- Have the taxes substituted for another instrument?
• Has the discussion of taxes led to the implementation of alternative instruments to taxes (e.g. voluntary agreements)?
• Is there a developing relationship with other instruments in the policy instrument portfolio?

Effect and Effectiveness of the Tax/charge (essential)
• Was the tax designed to have an incentive effect?
• What has been the development of exemptions over time?
• What are the relevant elasticities of response characterising the pollutant / good / service in question?
• What has been the change in the level of pollution / use of polluting products / use of services arising from the tax:
  (a) with reference to a reference year?
  (b) with reference to a baseline (is there a useable, business as usual baseline)?
  (c) with reference to alternative policy instruments - the counterfactual (assuming there is a defensible counterfactual)?
Categorise broadly the incentive effect into the following categories: (***, **, *, -)
• Are there any cases of ‘win-win’ effects (environment and efficiency)?
• Have there been any other effects of the tax - technology or technique innovation etc.?
• Have there been an perverse incentives (evasion etc)?

Effect on Producers
• What are the key sectors affected?
• What are the price effects at the different stages of the value chain?
• What is the level of tax as a percentage of the cost of production and / or sales price
• To what extent are the price increases passed on through the value chain?
• Where is the tax burden incident?

Effect on Consumers (essential)
• Which consumers are affected?
• What is the tax/level share of price?
• Have any concerns been raised by consumers of the affect of the tax/levy, and if so what are they and which are important?

Equity and Distributional effects (important)
• Are there significant differences of tax burden across different sectors of the economy?
• Are there significant differences of tax burden across different household (income) groups?
• What are these differences, and are there any specifically disadvantaged groups?
• Is there quantitative evidence for significant distributional effects?
• Are there measures in place to compensate for distributional effects, and what are these?
• If only qualitative data is available are the distributional effects of significance?

Internal Market (essential)
• Have there been any concerns raised on the effects of the tax / charge on the free movement of goods?
• Have any of these been brought to the courts and what were the outcomes of the process?
• Has the design of any tax or levy been affected by internal market considerations - to the detriment of environmental concerns?
• Does the tax / charge act in a discriminatory fashion?

Trade and Competition Issues, Intra- and Inter-member State (essential)
• Have concerns been raised regarding adverse affects on competition, and what have these been?
• What evidence is there of adverse affects on competition?
• Who have been the winners and losers? (link to price effects)
• Have there been any trade implications, and what has been the effect? (link to competition)

Employment (essential)
• Have any concerns been raised on the employment impacts of the environmental tax/charge?
• Is there any evidence for this concern?
• Is there any indication /estimation of positive effects of taxes/charges on employment?
• Are there any cases of win-win effects (environment benefit and employment gains)?

Administrative Cost (useful)
• Who is managing the tax at the level of government?
• Is there an administrative burden and what constitutes this burden?
• Is there a cost estimate for this burden?
• If only qualitative evidence is available, would it be fair to say that the administrative burden is (a) large (b) medium (c) small (d) insignificant
• What is the burden on the different sectors of the economy?

Data Availability and reliability (useful)
• Are there more than three years’ worth of data – on tax rates, related pollution levels or product levels and other economic variables;
• Is the data reliable?
• Are there existing ex ante and ex post analyses carried out?
• Have Input-output modelling exercises been carried out?
• Are there quantitative estimates for employment effects?