

Chapter 11

An Analysis of Green Taxation in Turkey for Sustainable Growth

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ABSTRACT

Ecological problems such as global warming, climate change, and loss of biodiversity are at the top of governments' agendas as negative externalities like fewer water sources, food and energy shortage, drought, desertification, and migration have recently been deeply felt by societies. Environmentally related taxes are one of the most important instruments of fiscal policy used to internalize "negative externalities" to prevent environmental pollution and to ensure sustainable growth. This type of tax represents the ideal principle that "the polluter pays." Most of the European and OECD countries today have revised their tax systems to stop environmental destruction and have begun to implement environmental taxation. The purpose of this chapter is to carry out an analysis of green taxation in Turkey for sustainable growth. In this regard, this study aims to analyze green taxation practices and regulations within the scope of a sustainable economy in Turkey and offer solutions by considering the practices in various countries with effective green taxation policies.

DOI: 10.4018/978-1-5225-7808-6.ch011

INTRODUCTION

In order to carry out an international fight against such environmental problems as global warming, climate change, water, air and other types of pollution, various common plans and programs have recently been introduced by the international organizations (EU, OECD, WB, etc.). The main purpose stated in these documents is to ensure a sustainable growth and leave the next generations a livable life. To this end, authorities have started to put taxes on areas causing environmental pollution, to introduce public incentives for biodiversity conservation, an effective environmental management, wild-life protection, and efficient energy use, and to implement renewable energy policies. These policies are in general terms called green budget reform in the literature (Schlegelmilch, 1999; Gale & Barg, 2014). The implementations are mostly related to taxation, though (Kreiser, 2012).

Within the scope of green taxation, tax should have an impact that deters people from causing environmental distortion, contributing to a less polluted environment (Ballet et al., 2007). To prevent environmental problems, introducing new taxes is not enough on its own. It is also necessary to remove the tax incentives and tax reliefs that pose a danger for the environment and make the current taxes environmentally-friendly (OECD, 2001). Within the general scope of green budgeting, every stage of an economic activity should be restructured by considering the environment. Negative externalities that are seen as the reason for the state's intervention in the market or regarded as a market failure by the neo-classical approach establish the theoretical basis of green taxation. A negative externality is defined a cost that is suffered by a third party as a result of an economic transaction. With green tax, negative externalities are included into price, and the cost of pollution is minimized.

The neoclassical theory argues that the need for public intervention in the market may result from the problem of negative market externalities. Not including the cost of pollution into prices or not having enough gains from market intervention leads to market failure. When considered from the perspective of property rights, one result of lack of exactly stated and implemented property rights or liability rules is that economic activities are carried out with less concern for the environment and the next generation (Ciocirlan and Yandle, 2003: 204).

While public policies are implemented via taxes for including the cost of externalities into prices (Pigouvian Approach), regulations (Plott Approach), subsidies, charges, pollution permits, and direct controls, there are measures like 'Coase theory', 'Hicks-Kaldor' and 'Scitovsky' as market solutions (Kargı and Yüksel, 2010). Green taxation stands out as a public policy solution to include externalities into economy.

The environmental problems that have become a global issue with its wide-range impacts have forced countries, international institutions and organizations to take

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