


Chapter 1

A Systematic Review of Current Debates on Environmental Taxation and Sustainability

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ABSTRACT

The present research contributes to understanding the current state of knowledge (period 2020-2025) regarding the role of taxation to promote changes in the behavior/strategy of companies contributing to corporate environmental responsibility and a more sustainable behavior. This systematic review (PRISMA methodology) examines the role of environmental taxation and sustainability, finding that 31 out of 70 Scopus articles address the issue. It concludes that sustainability is a systemic challenge (economics, technology, politics, environment). The research focuses on

DOI: 10.4018/979-8-3373-1937-7.ch001

the tax-sustainability interrelationship, which is essential for lasting solutions. At the business level, an integrated approach (industrial optimisation, designed taxation, collaborative governance) is imperative for sustainable goals, generating economic, social and environmental benefits. Emphasis is placed on the integration of fiscal policies and sectoral strategies to maximise incentives (taxes/benefits) in key sectors (energy, manufacturing, agriculture), ensuring equal opportunities and preventing inequalities.

INTRODUCTION

Growing concern about environmental degradation and the need to move towards a sustainable development model have placed environmental policy in a leading role. Environmental fiscal policy, as an environmental policy mechanism and economic instrument, makes it possible to guide the behavior of economic agents towards the achievement of environmental sustainability objectives, such as reducing emissions (Greenhouse gas emissions [GEI's], liquid chemical pollution), excessive resource consumption, harmful consumption, litter accumulation, and also manufacturing ecofriendly products. In this context, environmental taxes emerge as fiscal instruments with an important potential to influence the management and conservation of the natural environment and to promote sustainable production and consumption.

Following the Pigouvian approach, the environmental taxes design is based on the principle of internalization of negative externalities, taxing those economic activities that generate adverse environmental impacts. Theoretically, by imposing an economic cost on pollution and the use of natural resources, harmful behaviors is discouraged and the adoption of more responsible practices is encouraged (Baumol, 1972; Stiglitz, 2003). Two different theoretical frameworks have been proposed to address the rationale and study of environmental taxes: one is optimal taxation (Baumol, W. J., & Oates, W. 1971; Baumol, 1972; Nordhaus 2007 and 2010), including the double dividend hypothesis (Pearce, 1991; Goulder, 1995, Ellerton & Metcalf, 1997; Bosquet, 2000; Freire-González, 2018; Metcalf, 2019), and the other is extrafiscal taxation (Aizega Zubillaga, 2001; Varona, 2009; Rudolph et al, 2014; Vence & López Pérez, 2021), which takes a more pragmatic approach to taxation guided by environmental objectives and whose design and rates are determined by sociopolitical criteria.

The double dividend theory highlights the idea that the implementation of environmental taxes can generate revenue streams that can be strategically redirected towards financing public goods and services (Bosquet, 2000; Freire-González, 2018), including investments in self-sustainable transportation systems, projects for decarbonization, and to reinforce the transition of industrial policy to clean

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