


# Chapter 3

## Exploring Environmental Tax Literacy: A Systematic Review of Concepts and Practices

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### ABSTRACT

*There is no doubt that through environmental taxation, governments can, in addition to raising awareness of environmental issues, stimulate the economic and social growth of the country, while ensuring that this growth does not compromise environmental sustainability. There are several studies on the topic of literacy, both in terms of taxation (Ferreira Costa, 2018; Silva, 2024) and the environment (Cordeiro et al., 2013; Pedro, 2009). Although these are empirical studies in different locations, it already shows that this topic has attracted the interest of some researchers working on these issues. However, these studies look at tax literacy and environmental literacy separately. To the best of our knowledge and given the scarcity of literature on environmental tax literacy, this study is even more relevant. This paper sets out to explore the concept of environmental tax literacy, by conducting a systematic review of the relevant concepts and practices.*

### INTRODUCTION

In the face of the growing climate emergency in recent years, the European Community has paid special attention to environmental issues, and Portugal is no exception. In 2014, to bring national objectives into line with European ones, the

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Portuguese Government, through Decree no. 1692/2014 of 7 February, appointed a commission to promote measures that would form a new fiscal and para-fiscal framework, reviewing environmental and energy taxation, resulting in the Green Tax Reform (RFV), which entered into force on 1 January 2015. Thus, the year 2015 marks the beginning of the environmental and energy tax reform in Portugal, and until then, there were only a few individual and sectoral laws. It was this recognition of the importance of environmental issues and the relevance of this increasingly topical subject that led to a special interest in studying environmental tax literacy. This study aims to find the link between the fiscal and environmental components. Knowing that the sustainability of the near future depends on all of us, this study on environmental tax literacy is very timely. Awareness of the importance of Environmental Tax literacy on the part of ordinary citizens is fundamental, as it is the only way to ensure that our leaders' environmental fiscal policies and measures are successful. Environmental tax literacy can act as a mechanism to raise awareness of environmentally sustainable fiscal behavior, and there is no doubt that governments can use environmental taxation to raise citizens' awareness of environmental issues, while at the same time stimulating the country's economic and social growth and ensuring that this growth does not compromise environmental sustainability.

The concept of literacy has evolved. The conventional concept associated with literacy was limited to reading, writing, and arithmetic skills and is still used today. According to Carvalho & Costa (2011, p.110), "Literacy today is a requirement for democracy itself and a condition for non-exclusion. If we cannot understand, analyze, reflect, interpret, and relate written information, we are much more limited in acting in society and exercising our rights." To conduct this study, some concepts will serve as a guiding thread, such as tax literacy, environmental literacy, fiscal education, and environmental education. In practice, we can say that all these concepts are interrelated. A systematic review was conducted to further analyze the topic of environmental tax literacy using the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines.

## **TAX LITERACY AS AN INDISPENSABLE TOOL FOR DEVELOPING TAX AWARENESS**

Several studies and investigations have been conducted in Portugal to understand how citizens perceive and engage with the tax system. Every active citizen should be aware of the importance of taxation and know how to deal with it. An informed and aware citizen will fulfil their tax obligations voluntarily and adequately and will also be able to plan their taxes more effectively. Otherwise, a lack of knowledge about this important duty will hinder citizens' perception of the social benefits that tax

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