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Implication of Vietnam's environmental tax law in the green economy transition process

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Implication of Vietnam's environmental tax law in the green economy transition process

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Abstract

Summary of chosen topic, its importance, applied methodology and geographical coverage

The study aimed at assessing the implication of environmental tax law – the first law on environmental taxation passed from November 2010 and went into effect from January 2012. The law introduces new taxes primarily in energy sector like taxes on coal, gasoline and other fossil fuels, pesticides, and some other products in the context that Vietnam is moving towards a "green" economy. Particularly, the Green Growth Strategy which issued by the Government of Vietnam since 2012 is expected to contribute to respond to climate change, reducing poverty and ensuring sustainable economic development. However, there will be many challenges and obstacles facing developing countries like Vietnam such as the urgency to mainstream environmental elements into socio-economic development plan at all levels, the shortage of policies to mobilize financial sources, the lack and/or weakness of enabling conditions like establishing regulatory framework, government investment prioritization, employing taxes and market-based instrument, capacity building and enhancing etc. The study found out that it is crucial to create and develop concrete policy actions supporting the transition process as well as ensuring to take advantage of this process. Using the results of applied general equilibrium model linked to household survey database, the implication of newly issued environmental tax law as an enabling condition for a more sustainable development is modeled and analyzed.

Knowledge gap

Assessing the effectiveness of environmental policy is not a new topic, however, identifying an environmental tax law as an enabling condition in the transition process toward the green economy is still lack of information for a developing country like Vietnam. The result of this research will highlight the importance of developing enabling conditions to better support the above-mentioned process and the key role of Government as well as policy makers.

Policy relevance and applicability to various countries

This research will illustrate the case study of Vietnam for other developing countries aimed at experiences sharing and lessons learnt specifically in environmental taxation policy and green economy/ green growth policy integration.

Expected results and implication for further research

This research aimed at providing proper information for policy maker to develop a sound environmental taxation policy toward a more sustainable development path. The methodology and approach applied within this research would be used for further research on other fiscal policies and market-based instruments as enabling conditions supporting green economy transition process.

Key words: green economy, environmental tax law, Vietnam