

Financial policies and mechanism for environmental protection, climate change and sustainable development

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Dai Lai, 29-30/9/2015

1. Background

1.1. Financial policies/institutions

- In broad terms: Financial policies/institutions are as a set of mechanisms, policies and financial measures to exploit and mobilize and effectively use financial resources to serve the socio- economic development of the country, ensure national security, stabilize the macroeconomic and improve the efficiency of the national finances.
- In a narrow sense: Financial policies/institutions include the particular mechanism, policy and financial solutions to resolve a problem in a certain given period.
- In the field of environment protection and climate change responding, financial mechanisms and policies are also effective ways to ensure environmental protection and limit the negative impacts of climate change.

1. Background (Cont)

1.2. Legislation on financial policies, institutions relating to environmental protection

Legislation on financial policies, institutions relating to environmental protection aims to adjust acts as taxes, charges, fees or directly financial mechanisms and policies; and tools to support to activities of environmental management and protection

2. Law on the State Budget

2.1. Law system on the State Budget

- Law on State Budget 2002 (effective until 12/31/2016) and the guiding documents;
- State Budget Law 2015 dated on 25th June 2015 issued by the National Assembly (effective from 1st Jan 2017).

Some national strategic program on the environment such as:

- Decision 2139 / QD-TTg dated on 05th Nov 2011 on the National Strategy on Climate Change
- Decision 432 / QD-TTg dated on 12th April 2012 on the Sustainable Development Strategy for Vietnam for the period 2011-2020 in which, one of solutions is to increase financial resources for the implementation of sustainable development, increasing efficient investment and use of funds from the state budget, increasing spending from the state budget to develop and improve the systems of institutions, policies and legislation on sustainable development (point 2 of Section II Article 1).
- Decision 403 / QD-TTg dated on 20th March 2014 issued by the Prime Minister on the national action plan on green growth from 2014 to 2020

2. Law on the State Budget (Cont)

2.2. Expenditure on development investment

- Investment in the construction of socio-economic infrastructure projects ;
- Investment and support for businesses and organizations
- Spending for the national target program to respond to climate change (investment spending).

2.3. Recurrent expenditure, including:

- Spending for operation of agencies on environmental protection, climate change and sustainable development at the national and local level;
- Spending for the national target program to respond to climate change (recurrent expenditure).

2. Law on the State Budget (Cont)

2.4. Scope and competence regulated for programs and projects of climate change

Law on State Budget and guidelines regulates specifically the content related to competence, process of project formulation, implementation and finalization of projects and expenditures of ministries and local (including the implementation of programs and projects on environmental protection, climate change and green growth)

2. Law on the State Budget (Cont)

2.5. Some specific regulations

- Joint Circular No. 03/2013/TTLT-BTNMT-BTC-BKHDT on management mechanisms of fundings for the support program to respond to climate change (including methods of project selection, allocation, monitoring of use fundings).
- Joint Circular No. 07/2010/TTLT-BTNMT-BKH-BTC-BKHDT on guiding of management and use of the state budget for implementation of the National Target Program to Respond to Climate Change.
- Joint Circular 45/2014/TTLT-BCT-BTC-BKHDT on guiding of management and use of the state budget for implementation of the national target program on energy saving and efficiency for the period 2012 -2015;
- Joint Circular 30/2015/TTLT-BTNMT-BTC-BKHDT on guiding of management and use of the state budget for implementing projects under the "general scheme of the basic survey and management of marine environment until 2010, with a vision to 2020 ".

3. Law on tax

3.1. Enterprise Income Tax

- Enterprise Income Tax in 2008; amended Enterprise Income Tax in 2013; Law amending and supplementing some articles of the 2014 Tax Law; and its guidelines
- Enterprises operating in the field of environmental protection are applied the tax rate of 10% within 15 years; Newly established enterprises operating in the environmental sector are exempt from tax not exceed four (4) years and 50% reduction of the tax payable not exceed nine next year (Paragraph 7, Clause 8 of Article 1 of the Law on State Budget amended in 2013)
- Tax exemption on income from transfer of emission reduction credits (CERs) of enterprises certified emission reductions (paragraph 3, Article 1 of the Law on State Budget amended in 2013).

3. Law on Tax (Cont)

3.2. Natural Resources Tax

- Natural Resources Tax Law No. 45/2009 / QH12 in 2009; Law No. 71/2014 / QH13 with amending tax laws and its guidelines
- Natural Resources Tax apply to all objects of exploitation of natural resources. The tax rate is calculated based on taxable production resources; dutiable and duty.
- Exemption or reduction of tax for natural resources lost or refund the tax paid or deducted from the resources tax payable in the next period in case of natural disasters, fires or unexpected accidents ...
- Exemption from tax on natural water used for hydropower generation by households and individuals living in service production;
- Tax exemption for natural water by households, individuals living service operators;
- Tax exemption for land that exploiting and using in place that is allocated or leased land to mining reclamation, construction of security, military and dikes.

(Article 9 Royalties Law, Clause 2, Article 4 of the Law Amending the Tax Code 2014)

3. Law on Tax (Cont)

3.3. Environmental Protection tax

- Environmental Protection Tax Law in 2010 and its guidelines
- Environmental protection tax is indirect tax, collecting the tax through the goods when used to cause adverse environmental impacts.
- Tax of environmental protection based on the taxable amount of goods and absolute tax rates.
- Paragraph 2 of Article 8 of the Law on Environmental Protection Tax in 2010: Based on the tax frame specified in paragraph 1 of this Article, the NASC regulates the specific tax provisions for each taxable goods with following guaranteed principle:
 - (i) The tax rate on taxable goods is suitable with the socio-economic policy of the state in each period;
 - (ii) The tax rate on taxable goods shall be determined according to the level to cause adverse environmental impact of the goods.

3. Law on Tax (Cont)

3.4. Value Added Tax

- Value Added Tax Act, 2008; Value Added Tax Law amended in 2013; Law amending the tax in 2014 and its guidelines
 - Objects do not have to pay VAT are:
 - (i) Service maintenance of zoos, gardens, parks, street greenery, public lighting, funeral services;
 - (ii) Export products are natural resources, mineral exploitation has not been processed into other products.
 - (iii) The business enterprises of above goods and services on the non-deductible, the input VAT refund unless specified in Clause 1, Article 8 of the Law on VAT.
- (Article 5 of the VAT Act 2008, Clause 1, Article 1 of the VAT Law 2013)
- To specify the circumstances tax rate of 0%; 5% and 10%.

3. Law on Tax (Cont)

3.5. Export and import Tax

- *Law on Export and Import Tax in 2005; amended tax Law 2014 and its guidelines.*
 - *Exempt goods export and import tax in case of:*
 - Imported goods are equipment and machinery, accessories, raw materials and supplies which can not be produced ... to create fixed assets of investment projects in the field of preferential import tariffs in the Annex 1 include the following areas: manufacturing, new materials, new energy; manufacturing high-tech products, biotechnology, information technology; mechanical engineering; Using high-tech, modern techniques; protect the ecological environment; research, development and high-technology incubators; Construction and development of infrastructure (water plants, power plants, water supply systems)*
 - Tax exemption for the first time for goods is imported equipment by category specified in Annex II attached to Decree 87 to create fixed assets of projects preferential import duties and projects with capital investment of official development assistance (ODA), investment in hotels, offices, apartments, houses, commercial centers, technical service ... (groups of equipment: System supply water types; Climate control and ventilation, fire prevention system and fire fighting system and wastewater disposal ...)*
- (Paragraph 6 of Article 12 of Decree 87/2010 / ND-CP)*

3. Law on Tax (Cont)

3.6. Special Consumption Tax

- Special Consumption Tax Law of 2008 and the guidance documents;
- Taxpayers who produce goods subject to excise tax in trouble due to natural disasters or unexpected accidents tax reduction (determined on the basis of actual losses but not more than 30% of the tax payable for the year occurred damage and not exceed the value of the damaged property after compensation (if any).
- Gasoline-powered cars combine electrical energy, bioenergy, including the proportion of gas use no more than 70% of energy use by 70% tax rate applicable tax rate for the same type of vehicle regulations Point 4a, 4b, 4c and 4d Article 7;
- Cars powered by bioenergy tax rate of 50% tax rate applies to vehicles of the same type defined in points 4a, 4b, 4c and 4d Article 7.

3. Law on Tax (Cont)

3.6. Special Consumption Tax (*Cont*)

(ii) Excise Tax Law amended in 2014 (entered into force on 01.01.2016).

For gasoline-powered cars combine electrical energy, bio-energy; cars run on biofuels remains as specified in the Special Consumption Tax Law 2008.

4. Law on fee and charges

4.1. General legal Background

- Ordinance on fees and charges in 2001 and the guidance documents; Environmental Protection Tax Law 2010 (excluding provisions for charging gas, oil).

Charges in the fields of science, technology and the environment including environmental fee; Appraisal fee reporting environmental impact assessment; Cleaning fee; Fee for prevention of natural disasters; Charges for use of radiation safety services; Appraisal fee of radiation safety; Appraisal fee operational conditions of science and technology; Appraisal fee contract of technology transfer ...

4. Law on fee and charges (Cont)

4.2. Some specific charges

- Environmental protection charges for waste water (Decree 25/2013 / ND-CP; TTLT 63/2013 / TTLT BTNMT-BTC): applicable to industrial wastewater and domestic sewage discharged into the environment. Decree provides details of charges and jurisdiction provisions of charges; manage and use charges.
- Environmental protection charges for waste and scrap, cleaning fee (Decree 38/2015 / ND-CP): The responsibilities of the provincial People's Committee issued preferential policies and mechanisms, support to encourage the collection, transportation and processing infrastructure investment waste of local activities; Construction hygiene of charges (Article 28).
- Environmental protection charges for mineral exploitation (Decree 74/2011 / ND-CP and Circular 158/2011 / TT-BTC): applicable to mineral exploitation is crude oil, natural gas, gas coal, metallic minerals and non-metallic minerals. To specify the level of charges for crude oil, the mining charges (Article 4); use management fees (Article 5).

4. Law on fee and charges (Cont)

4.2. Some specific charges (Cont)

Taxes, import and export fees: Free Taxes, fees import, export facilities, equipment, goods for emergency relief operations, search and rescue, relief, disaster assistance for organizations and individuals, international organizations involved in response and recovery disaster in Vietnam (Article 14)

4. Law on fee and charges (Cont)

4.3. Competence regulated a number of charges and fees (Circular 02/2014 / TT-BTC)

Fees for using the sidewalk, roadway, sidewalk, terminals, yards and water; Cleaning fee; Mining fee and document land use; Appraisal fee license to use explosive materials industry; Appraisal fee reporting environmental impact assessment; Appraisal fee scheme, reports on exploration, exploitation and use of groundwater; exploitation and use of surface water; discharge of wastewater into water sources, irrigation works; Environmental protection charges for waste water; for solid waste; for mining; Fees for permits to discharge waste water into irrigation works license fee exploration, exploitation and use of groundwater (for the issuance of permits by the local authorities), etc regulated by the Provincial People's Council.

5. Law on credit

5.1. Investment credit, export credit of the State

- Decree 75/2011 / ND-CP and Decree 54/2013 / ND-CP and the guiding documents
- Borrowings from development banks Vietnam for infrastructure investment projects, expand, upgrade and build new facilities in the environmental field.
- Loan size per project shall not exceed 70% of the total project investment (excluding working capital), less than 15% of the actual charter of VDB for each project owner.
- Tenor basis for the repayment capacity of the project owner but not more than 12 years.
- The state budget difference subsidies and interest rate support after investment.

5. Law on credit (Cont)

5.2. Credit Deals at investment fund local development

- Decree 138/2007 / ND-CP and Decree 37/2013 / ND-CP and the guiding documents
- Provincial development investment fund will direct invest funds or capital to investors implementing projects to protect and improve the environment.
- The projects on transport, water supply, urban housing, arranging production facilities, urban waste treatment plans under the program payback provincial councils through loans at the Provincial development investment fund preferential rates in a maximum period of 15 years.

5. Law on credit (Cont)

5.3. Capital official development assistance for sanitation projects

- Circular No. 108/2003 / TT-BTC and Circular 08/2008 / TT-BTC amending and supplementing Circular No. 108/2003 / TT-BTC
- Subject to the application: drainage, waste disposal cities, populated areas; waste treatment and urban solid waste; wastewater treatment, solid waste, industrial emissions in industrial zones, export processing zones ...
- Specific provisions on domestic financial mechanism applicable to the sanitation projects using ODA capital use cases from the state budget, local budget; case wholly allocated ODA loan projects/

6. Law on land

6.1. Collection and use of land fees

- Decree 45/2014 / ND-CP and Circular 76/2014 / TT-BTC
- Exemption of land use in the following cases: in the quota allocation policy implementation housing for people displaced by natural disasters; land resettlement layouts or delivered to households in flooded areas under the project is approved; ... (Article 11 of Decree 45/2014 / ND-CP)
- Regulations on reduction of land use (**Article 12 of Decree 45/2014 / ND-CP**)

6. Law on land (*Cont*)

6.2. Land rent and water surface rent (Decree 46/2014 / ND-CP; No. 77/2014 / TT-BTC)

- Exemption from land rent and water surface rent for the whole period of the lease for the special investment areas of investment incentives in the province in particular socioeconomic difficulties; Land for construction of water supply projects - mining, water treatment; land rent exemption for project construction land use public facilities for business purposes as decided GI in the environmental field (Article 19 Decree 46).
- Regulation on the reduction of land rent cases water rent: use purposes of agricultural production, forestry, aquaculture or salt affected by natural disasters, fires less than 40% of the corresponding tax reduction ; the loss is 40% or higher are exempt from rent for the year of loss (Article 20 Decree 46).

6. Law on land (*Cont*)

6.2. Land rent and water surface rent (*Cont*)

- **Regarding** land rent exemption during construction (not including mining activities): (i) for projects leased before 01/7/2014 and has filed comply with the provisions in No 1141/2007 / TT-BTC and Circular 156/2013 / TT-BTC; (ii) rental projects from the date 01/7/2014 onwards land rent exemption under the regulations, a maximum of 03 years.
- Exemption from land rent under the legislation on investment incentives (not including mining activities): (i) the State lease before date 01/7/2014 (specify the exemption and reduction of land rent in investment certificates) no exemptions procedures to make records before 30.06.2016, time calculation time exemptions apply. Case filed are deducted from payment of the following year; (ii) The State leases before 01/7/2014 (record no deduction in the investment certificate) (Document 7810 / BTC-QLCS)

6. Law on land (*Cont*)

6.2. Land rent and water surface rent (Continued)

Exemption or reduction of land rent from mining operations: (i) For projects that have actual handover before 01/7/2014 exempted or reduced in accordance with the law at state lease land; (ii) the project before 01/7/2014 mining lease but consoles and filing proposed exemption or reduction after 01/7/2014 no exemption or reduction of land rent; ... (Document 7810 / BTC QLCS)

7. Law on price support for products of environmental protection projects

7.1. Decision 130/2007 / QD-TTg and guidelines (TTLT58 / 2008 / TTLT BTC-BTN & MT; TTLT 204/2010 / TTLT BTC-BTN & MT) provides for a number of mechanisms and policies for financial with investment projects under the clean Development Mechanism (CDM).

- Investors build and implement CDM projects in Vietnam are entitled to tax incentives; land use fees and land rent; Depreciation of fixed assets; investment credit of the state and is considering subsidies for products of CDM project in the priority areas.
- Products of CDM projects are subsidized from the Environmental Protection Fund Vietnam if they meet the conditions in Article 16 of Decision 130.

7. Law on price support for products of environmental protection projects (cont)

7.2. Decision 37/2011 / QD-TTg and Circular 96/2012 / TT-BTC of support mechanisms to develop wind power projects in Vietnam

- Regulations funding for the planning of wind power development from the following sources: the central budget, provincial budget, municipal, funds mobilized other lawful (Article 5 Decision 37).
- The wind power project is investment incentives, import tax, corporate income tax, the charge (Article 12, Decision 37) and preferential land infrastructure (Article 13 of Decision 37)
- The grid connected wind power projects are electricity price support (Article 14 and No 96/2012 / TT-BTC).
- The grid connected wind power projects powered electricity price as stipulated in Decision 37 and TT96 not applicable subsidy mechanism under the prevailing regulations.

8. Other financial legislation

1. Policies supporting environmental protection projects other:
 - Support for the construction of infrastructure works
 - Support for site clearance and compensation
 - Support policy through depreciation
 - Support promotion of products, waste separation at source
 - Support from environmental protection funds, other financial Funds
 - Support from other legitimate sources (ODA grant, soft loans, investment and support from the private sector. Human, now ..)
2. The tool, other provisions for environmental protection activities
 - Deposit – refund
 - Margin Environment
 - Environmental Grants
 - Environmental Fund
 - Other policies, such as insurance, guarantees and liability cover environmental damage

9. Role of financial policies on environmental protection, climate change and sustainable development

- Creating a legal framework to ensure the grounds, policies to encourage the audience to participate in environmental protection.
- To raise the individual consciousness, businesses, agencies and organizations in finding measures to invest in environmental protection. Create state budget revenues invested back projects for environmental protection.
- Encourage and attract investments and projects, environmental protection program, climate change and sustainable development, to share the burden of managing and protecting the environment.
- Help businesses seeking cost effective alternatives in order to achieve their economic effects associated with environmental protection issues

10. Viewpoint, orientation of supplement of financial mechanism to improve effectiveness of environmental protection, climate change and sustainable development

- Financial mechanism and policies towards encouraging and attracting the maximum of all resources of the economic sectors, particularly the private sector. Financial mechanisms and policies must incorporate developing internal resources to strengthen international cooperation in order to access and effectively get the assistance of the countries and international organizations, especially in terms of capital and technology.
- Reaffirming the role of the state in developing mechanisms, policies and directions for the activities and allocating adequate resources for implementation.
- Financial mechanisms must be comprehensive and ensure attractive to achieve behavioral change of stakeholders; completion of financing mechanisms for implementation of programs and national action strategy.
- Financial mechanisms and policies are developed to cover the related objects

11. Recommendations

- It's necessary to assess comprehensively the implementation of finance policies and programs on environment protection, climate change and sustainable development.
- Continue to supplement financial policy and financial system to implement programs, national strategy on climate change.

Thank you very much!