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### **Experience in introducing Environmental Taxation to Sri Lanka**

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Environmental management has become a main concern and a challenge in many countries especially with development. In Sri Lanka, for a twenty year period, environmental management has been carried out by the government using the conventional command and control approach. However past experiences show that it is not effective as a whole.

The objective of this study was to review the experience of introducing environmental taxation to Sri Lanka. The budget speech of 2008 proposed an Environmental Conservation Levy (ECL) Act for the management of the environment. The Ministry of Environment and Natural Resources (MENR) conducted a study on the Development of Market Based Instruments (MBIs) for Environmental Management in Sri Lanka using a team of national and international experts. Subsequently the ECL Bill was passed in April 2008. The ECL Act No. 26 of 2008 is able to impose ECLs on specified items and on specified services in Sri Lanka which are likely to have a harmful impact on the environment. All Levies collected are to be remitted to the “Environmental Conservation Levy Account” of the Consolidated Fund under the provisions of the Act. An Environmental Conservation Council (ECC) is to be established with the responsibility of disbursement of Funds. An awareness programme on the ECL Act and its objectives was also carried out by the Central Environmental Authority (CEA) with the participation of relevant parties and media. Under the provisions of the Act, ECL was imposed on four selected commodities by four Orders: taxes on specified vehicles with internal combustion engines, a levy of Rs. 3.00 per bulb exceeding 40 W except Compact Florescent Lamps, a levy of 2 % calculated on the value of the services supplied and to be supplied by the licensed cellular operators (for the use of a mobile phone) and a levy of Rs. 50,000.00 per tower on specific transmission towers (when it is shared a levy of Rs.25,000.00 per tower).

Four Fundamental Rights cases against aforementioned orders were filed in the Supreme Court of Sri Lanka making the CEA as one of the Respondents, in the middle of the year 2008. Considering the objections filed by the CEA, The Supreme Court decided to continue the Levy on Mobile phones; the other three Orders, however, were rescinded.