

INSTRUMENT NAME: 5.2 TAX CONCESSIONS

Pondscape-specific definition: Tax concessions aim to incentivise provision of particular goods or services or use of particular production processes by rewarding recipients in the form of reduced tax obligations; they are an indirect transfer from governments to private organisations or individuals who are the recipients. The production processes or goods/services should be socially beneficial, such as ecosystem service provision or environmentally friendly production processes (such as NBS implementation). Tax concessions can take different forms: complete exemption, partial exemption (i.e. reduce the tax rate payable), or only taxing a portion of the otherwise taxable assets/income/revenue (i.e. excluding some of the tax base). Tax concessions can be used to incentivise environmentally beneficial actions, such as implementing nature-based solutions, as they reduce recipient costs in an equivalent manner to a subsidy payment.

CATEGORY	Subsidies			
ALSO-KNOWN-AS	Tax abatements; tax exemptions; tax allowances; tax credits			
RELATED INSTRUMENTS	Grants; subsidies			
APPROPRIATE FOR: Who can use this type of financing instrument?	Pondscape developer	NGOs and non-profits	Local/city/regional govt. and agencies	National govt. and public agencies
SOURCE OF FINANCE: Who provides the finance?	Public funding: local, national, EU			
PAYMENT FORM: What form is the payment?	Tax exemption (i.e. reduced tax costs)			
IN RETURN FOR WHAT? What is the NBS project obliged to deliver in return?	Provision of ecosystem services or market outputs Implementing production processes			
RECIPIENT REQUIREMENTS: What requirements must recipients meet to receive finance?	Private organisation or individual. Requirements differ per tax concession type.			
PROJECT REQUIREMENTS: What requirements must the pondscape project meet?	The project must deliver products or services or implement production processes that are targeted by the environmental subsidy in a manner that is recognised by the subsidy.			
OTHER REQUIREMENTS: What additional requirements are attached to the financing?	The requirements differ per tax concession.			
SPEED: How quickly do recipients receive money?	Fast (<4months) – Medium(5-12months) – Slow (12months+)			
FUNDING TIMELINE: When does the recipient receive the funding?	Ongoing or one-off: Recipient may receive a one-off tax exemption (e.g. for pond creation) or in an ongoing annual reduction in tax costs (e.g. pond management)			
NBS TYPE: What types of NBS is the financing for?	Pondscape <u>creation</u>	Pondscape <u>restoration</u>	Pondscape <u>management</u>	
SCALES: What scale of financing?	Small (<€10k)	Medium (€10k-€99k)	Large (€100k-€999k)	Very large (€1million+)
COMPLEXITY: How complex is applying for the finance	Complex	Medium	Simple	
EXIST NOW IN EU?	Yes		No	
REFERENCES:	Eurostat (2015) Environmental subsidies and similar transfers. Publications Office of the European Union https://ec.europa.eu/eurostat/documents/3859598/6923655/KS-GQ-15-005-EN-N.pdf/e3be619b-bb19-4486-ab23-132a83f6ff24			





Instrument: 5.2 Tax Concessions

Example name: 5.2.1 Western Australia Conservation Covenant Tax Concessions

Example description: Private landowners in the state of Western Australia may enter a voluntary Nature Conservation Covenant agreement with the Government to improve the conservation value of their land and protect its biodiversity by restricting land-use and implementing certain management practices. If the market value of their land decreases because of the covenant agreement, landowners may be entitled for a one-off tax reduction of their income tax that equals the loss of land value, offsetting the costs of biodiversity protection.

NBS DESCRIPTION							
LOCATION	Western Australia						
NBS TYPE	<table border="1"> <thead> <tr> <th>Creation</th> <th>Restoration</th> <th>Management</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Creation	Restoration	Management			
Creation	Restoration	Management					
ECOSYSTEM TYPE	Different ecosystem types apply						
NBS BENEFITS	Biodiversity						
NBS DESCRIPTION	Privately owned land can enter a voluntary Nature Conservation Covenant agreement with the Department of Biodiversity, Conservation and Attraction. Under the covenant, land owners receive guidance and funding to improve the conservation value of their land and protect its biodiversity. The agreement includes legally binding land management principles and provisions that restrict land-use activities.						
SCALE (SIZE)	Small-large.						
NBS PERFORMANCE CRITERIA	Each covenant is individually negotiated and includes different provisions.						
NBS PERFORMANCE	N.A.						
FINANCING DESCRIPTION							
SOURCE OF FINANCING	Australian Taxation Office						
RECIPIENT	Private landowners						
SCALE (FINANCING)	The Tax Concession applies to the income tax and equals the difference between the market value of the land before entering the covenant and its decreased market value because of entering the covenant. The decrease must be at least \$5,000 (a decrease of land market value below \$5,000 is not eligible for a tax concession unless the land was acquired within 12 months before entering the covenant).						
TIMELINE	One-off: The tax reduction occurs once in the year of entering the covenant.						





FINANCING REQUIREMENTS	<ul style="list-style-type: none">- Land must be privately owned (not leased) and be subject to a voluntary Nature Conservation Covenant agreement (agreement cannot be older than July 1st, 2002), have good nature conservation and biodiversity values that will be sustainable long-term under reasonable land management (e.g. considering the management of invasive species, water use, adjacent land-use).- The market value of the land must have decreased due to the Nature Conservation Covenant agreement by at least \$5,000 (unless the land was acquired within 12 months before entering the covenant).- The covenant is perpetual, i.e. binding on the current landowner as well as all future owners of the land.- The landowner cannot receive money, property or any other material benefit for entering the covenant. <p>The covenant is signed with an accepted public recipient (e.g. the national or state government or local governing body).</p>
FINANCING PERFORMANCE	Not reported
TRANSACTION COSTS	On the public side, transaction costs encompass the administration of the tax concession. On the private side, transaction costs encompass the costs to demonstrate that the conditions for the concession are fulfilled.
REFERENCE	<p>Western Australia Department of Biodiversity, Conservation and Attraction (2017) Nature Conservation Covenant Program Components. Accessed 04.08.22. Available: https://www.dpaw.wa.gov.au/management/off-reserve-conservation/nature-conservation-covenant-program</p> <p>Australian Taxation Office (2020) Claiming conservation covenant concessions. Accessed 04.08.22. Available: https://www.ato.gov.au/non-profit/gifts-and-fundraising/in-detail/fundraising/claiming-conservation-covenant-concessions/</p>

