

INCUBATE | IMPLEMENT | AMPLIFY

ENVIRONMENTAL TAX INCENTIVES

POSITIVE TAX INCENTIVES FOR ENVIRONMENTAL OUTCOMES AND BEHAVIOURAL CHANGE

Under iteration | Last updated 12 November 2023

DESCRIPTION

The tax system can be used in two ways to either 1) generate revenue by taxing harmful goods or actions, or 2) incentivise positive environmental goods or actions. Environmental Tax incentives can be applied through Income Tax or Value-Added Tax (VAT) as related to the prevailing legislation in the specific context. (Meyers et al, 2020).

AIM

Positive environmental tax incentives aim to incentivise individuals and businesses to make more environmental or biodiversity-friendly decisions that prevent significant loss and damage to the environment and the services they provide, which are important for human health and well-being.

FINANCE SOLUTION APPROACH

The Sustainable Finance Coalitions (the Coalition) 3-stage Finance Solution Approach[®] allows for the development of new finance solutions in a strategic and dynamic manner to incubate, implement and amplify tailor-made finance solutions for nature. The approach is applicable to any individual finance mechanism and can be embedded into a diversity of projects and entities at local, national or transboundary levels across naturescapes.



Incubate, Implement and Amplify

The Coalition's Finance Solution Approach[®] has been tried and tested in over 12 countries in Africa, mobilising sustainable finance at the point of conservation and social impact.



BUILDING BLOCKS

The Building Blocks of any finance solution are the critical success factors that must be present for the solution to be genuinely viable for implementation. The Building Blocks are not a guarantee of financial success, but do provide the strongest framework for implementation. Each Building Block should be systematically investigated and assessed to determine if each of the Building Blocks are present and accessible in order to determine if and how the particular finance solution may be applied.

1
**Legislative
Framework**

2
**Community
of Practice**

3
**Specialist
Skill Sets**

4
**National
Policy
Engagement**

5
**Grassroots
Project
Engagement**

1. Legislative Framework

Enabling framework of legislation (specifically tax and environmental legislation) detailing the requirements that need to be complied with to access the tax deductions and provide a robust framework for conservation outcomes.

2. National Policy Engagement

Deliberate engagement with key ministries (for example Ministries of Finance or equivalent) to enable the inclusion, amendment and policy implementation within appropriate legislation such as, and Income Tax Act.

3. Community of Practice

Support and assistance of a cohesive and effective community of practice involved the conservation and management of threatened species and ecosystems, providing capacity, best practice and engagement with beneficiaries.

4. Grassroots Project Engagement

Deliberate engagement of all types of landowners to illustrate the financial benefit from the tax incentive. Landowners include private, communal, corporate, and ownership under all types of legal entities.

5. Specialist Skill Sets

Niche tax expertise required to ensure the drafting of legislation creates an incentive that is tangible for beneficiaries, and technically sound. The appropriation of the tax incentive for taxpayers also requires specialist tax expertise and skills.

FINANCE SOLUTION EXAMPLES

Protected Area Tax Incentive | South Africa

For full details, please see Solution User Guide (1a).

Solution name:	Protected Area Tax Incentive (Section 37D of the Income Tax Act No. 58 of 1962)
Brief description:	Taxpayers are entitled to deduct the full value of their land against taxable income if they have declared their land as a nature reserve or national park under a long term commitment for a period of at least 99 years or in perpetuity in terms of national legislation.
Beneficiaries:	Qualifying landowners (private and communal) who are tax registered and compliant.
Estimated value:	USD 75 million (actualised USD 12 million)
Partners:	Department of Environment, Forestry and Fisheries (DFFE), National Treasury, South African Revenue Service (SARS)
Finance Solution Stage:	Amplify

OECM and Threatened Species Tax Incentive | South Africa

For full details, please see Solution User Guide (1b).

Solution name:	OECM and Threatened Species Tax Incentive (Section 37C(1) of the Income Tax Act No. 58 of 1962)
Brief description:	Taxpayers can deduct conservation and maintenance expenses from their taxable income if they have concluded a Biodiversity Management Agreement (BMA) (a contractual Candidate OECM agreement) to protect and manage threatened species and ecosystems.
Beneficiaries:	Qualifying taxpayers (private and communal) who are tax registered and compliant.
Estimated value:	USD 80 000 per annum from 2023 in perpetuity.
Partners:	DFFE, Wilderness Foundation Africa, National Treasury, SARS, South African National Biodiversity Institute (SANBI) and other collective implementation partners. Funded by Rhino Recovery Fund.
Finance Solution Stage:	Amplify

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[the-sustainable-finance-coalition](https://the-sustainable-finance-coalition.org)



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The Coalition is supported in its efforts by a voluntary advisory Council of thought leaders from 18 sectors. Our interventions are supported by our Core Partners, Collaborators and Specialist and Associate Contributors from across Africa offering a multi-disciplinary team of expertise and experience. The Coalition is chaired by Candice Stevens and supported by a Coalition Team from the Coalition's founding organisations, Wilderness Foundation Africa and WWF-SA.

Disclaimer: In the interests of advancing the development and implementation of innovative finance solutions in conservation and sustainability, we encourage you to talk about our work. Please ensure that you reference the Coalition appropriately in all communications relating to our work and provide this link: <https://www.linkedin.com/company/the-sustainable-finance-coalition-and-sustainablefinancecoalition.org>. Please note that the Coalition's Finance Solution Approach is copyrighted. The information contained in this communication is intended solely for use by the recipient and others authorized to receive it. If you are not the recipient, you are hereby notified that any disclosure, copying, distribution or taking action in relation of the contents of this information is strictly prohibited and may be unlawful.