

EU Commission approves Danish tax shift

The European Commission has decided not to raise objections to Denmark's proposed new tax on phosphorous in feed, which aims at reducing the use of phosphorous in agriculture.

In order not to increase the overall tax level in the Danish agriculture sector, the tax on agricultural land will be lowered in return. The scheme is considered not to constitute state aid in favour of farmers. Even if there would be an element of state aid, the Commission finds it can be declared compatible with State aid rules. A general reduction of the land tax for agriculture is considered the administratively most efficient way of redistributing the revenue from phosphorous tax to the agricultural sector. The land tax will be decreased for all agricultural sectors, not only those using animal feed and paying the phosphorous tax, which, at least in theory, could lead to an advantage for plant producers.

However, based on the environmental logic of the scheme and the fact that the relevant State aid rules expressly refer to property tax as one way to counterbalance new environmental taxes, the Commission has decided not to raise objections even if the scheme were to lead to such an advantage. The average amount of the tax reduction per farmer is also very low (approx. 700 DKK (95 'per mil;') per year).