

## Tax to Save The Environment: a Carbon Usage Tax

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I believe that taxes can assist the transformation to the economy and society that we need if we are to avoid catastrophic environmental change. That is why I have been writing about what I am calling [Tax to Save the Environment \(TASTE\)](#). I stress, I do not think tax is the only way to achieve this: regulation will usually be required as well, but tax has powerful signalling capacity both economically and socially, and I think that is vital at present. I do therefore offer another suggested tax now.

In 2015 I suggest a Carbon Usage Tax (or CUT) in my book The Joy of Tax. I explained this in my [White Paper on Scottish Taxation](#) for Common Weal in 2017 as follows:

### *A Carbon Usage Tax*

- \* *The UK's indirect taxes (VAT and excise duties) plus its system of specific tax charges (BBC licence fee, road fund licences, etc.) are regressive in their impact. The UK needs a progressive indirect tax to rebalance the tax system in addition to the changes already noted under direct taxation. The Carbon Usage Tax (CUT) is intended to achieve that goal and to eventually replace national insurance charges.*
- \* *The CUT will be charged on the flow of funds through a person's bank account. The charge will be levied by the bank and will be progressive. For large numbers of people the rate will be set at zero per cent and it is expected that this will remain true even when the CUT replaces national insurance. The rate will, however, be progressive and be applied to all flows into and out of accounts excluding those that are transfers between accounts a person has (e.g. their loan, savings, current and mortgage accounts, including in different banks). Initially charged monthly the CUT would be adjusted to an annual charge at each year-end.*
- \* *Resident people who do not appear to have a bank account for CUT purposes or who cannot explain their low rate of bank account usage will be assessed to the tax based on their income.*
- \* *The tax is intended to tax higher levels of consumption, as indicated by higher levels of spending, at higher rates. It is intended to reduce that consumption as a result and*

*act as a green tax as well as an eventual replacement for national insurance that discourages job creation, when what should be discouraged is excessive use of the world's resources.*

This is, of course, a financial transaction tax. The aim of it would be simple, and fourfold:

- \* It would capture non-consumption expenditure, which is very largely not liable to VAT and other indirect taxes at present;
- \* It would discourage excessive consumption by taxing it more highly;
- \* It would reduce the rate of tax on work by removing NIC over time;
- \* It would be hard to avoid: using offshore bank accounts would lead to an assessed sum at a penal rate unless voluntary disclosure of flows was made.

The idea will not be popular, most especially with those who are well off. But they are the people most engaged in burning the planet. I believe its time has come.