

# STICHTING THE EX'TAX PROJECT

## DIRECTORS' REPORT 2019

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Stichting The Ex'tax Project  
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## The way the foundation is organized

### Goal and strategy

Stichting The Ex'tax Project (STEP) is a Dutch foundation or 'ANBI' (an organisation for public good). The goal of the foundation is to contribute to an inclusive circular economy, in which current and future generations are able to create sustainable prosperity based on human capacities rather than natural resources.<sup>1</sup> The foundation focuses on the tax system of the 21<sup>st</sup> century and the role of taxes in the transition to an inclusive, circular economy and achieving the UN's Sustainable Development Goals (SDGs). STEP raises support and creates alliances and practical tools that help advance the implementation of Ex'tax; the tax shift from labour to natural resources.

### Assets under management

In general, the foundation receives funds from donations, contributions and interest. The board and management of STEP apply for funding from foundations, funds, businesses, private persons and subsidies. The board (represented by at least two members) manages the assets. In accordance with Dutch tax regulations, the foundation may not hold more assets than necessary for the continuity of foreseen activities.<sup>2</sup>

### Management structure

The board of directors of STEP meets regularly to discuss progress and evaluate the strategy. In 2019, the board of directors consisted of Mr A.C. Zwagemaker (Chairman), Mr C.J.B. van Boxel (Treasurer), Mrs W. van lerschot and H.R.H. Prince Carlos de Bourbon de Parme. The board of directors meets at least twice a year. In 2019, the board met three times. In accordance with the STEP management regulations, the day-to-day operations of the foundation are managed by Mrs F. Groothuis (President) and Mr P. Gersen (Vice-President). Board members and staff are invited to join The Ex'tax Project team based on their relevant experience and additional functions.

### Advisory Board

The advisory board of STEP consists of knowledgeable volunteers, who, informally, are willing to help the foundation on an as-needed basis.

### Communication with stakeholders

STEP communicates with sponsors and advisors through personal emails and general updates. The general public is able to follow the work of the foundation through the website and social media (Twitter, Facebook, LinkedIn and YouTube).

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<sup>1</sup> According to the Articles of Association (*Akte van Oprichting*) (artikel 2) the goal is to [in Dutch]:

1. [...] *het algemeen nut te dienen door het leveren van een toekomstgerichte bijdrage aan de maatschappij in de lijn met het gedachtengoed van wijlen de heer Eckart Wintzen op het gebied van een duurzame samenleving.*
2. *De stichting tracht haar doel onder meer te verwezenlijken door het ontwikkelen, promoten, faciliteren, stimuleren en financieren van kennisuitwisseling, onderzoek en initiatieven die beogen een duurzame welvaart mogelijk te maken in lijn met het gedachtengoed van Eckart Wintzen. De volgende gebieden zijn daarbij speerpunt:*
  - a. *belastingvergroening volgens het principe van Ex'tax;*
  - b. *grondstoffenschaarste en oplossingen daarvoor;*
  - c. *werkgelegenheid;*
  - d. *immateriële en duurzame welvaart.*
3. *De stichting beoogt noch een onderneming te drijven, noch winst te maken. Een eventuele winst kan uitsluitend worden aangewend ten bate van de in lid 1 van dit artikel geformuleerde doelstelling.*

<sup>2</sup> In Dutch: '*Volgens het bestedingscriterium van de belastingdienst mag de stichting niet meer vermogen houden dan redelijkerwijs nodig is voor de continuïteit van de voorziene werkzaamheden.*'

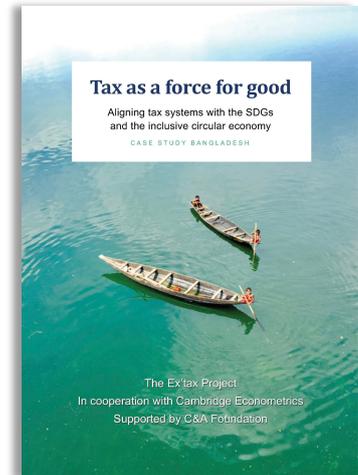
## Review of the operations in 2019

The year 2019 was a successful year for the Ex'tax Project as the foundation has gained more public attention and relevance. The foundation has developed activities to further research and promote the concept of a tax shift from labour to natural resource use. The expenditures have served the goal of the foundation.

### Highlights of impact in 2019

#### Publication of case study Bangladesh

Supported by C&A Foundation, this year, the foundation explored options for fiscal reform in Bangladesh, which resulted in the publication of **'The Ex'tax Project (2019), Tax as a force for good. Aligning tax systems with the SDGs and the inclusive circular economy.'** For this study, Cambridge Econometrics modelled the impacts of two scenarios. These include putting a price on carbon emissions and abolishing fossil fuel subsidies (both focused on bulk users), while using the revenues to invest in clean technologies, infrastructure and social spending. The modelling suggests that by 2025, such tax reforms could lead to higher GDP and employment levels, while reducing carbon emissions and energy imports. The transition can be highly progressive when revenues are mainly used to increase social spending. In addition, the scenarios would enable significant investments in clean tech solutions for the fashion industry, to future-proof the sector.



Leslie Johnson, Executive Director of C&A Foundation stated:

*'Public policy – particularly through the creation of carrots and sticks – is essential to tackling big, systemic challenges such as climate change and improve the livelihoods of workers in a country, like Bangladesh, that is so important to the global apparel industry.'*

#### Dhaka event on Ex'tax

Through ACCA, the Institute of Cost and Management Accountants of Bangladesh (ICMAB) organized an official event around Ex'tax in Dhaka, in the presence of 70+ tax- and finance professionals and policymakers titled **'ICMAB Continuing Professional Development Program Aligning tax policy – A Case study on Bangladesh Dhaka, Bangladesh'**. Femke Groothuis provided the keynote speech in the presence of distinguished guests including members of the National Board of Revenue and the Dhaka Taxes Bar Association as well as the Deputy Secretary of the Finance Division of the Ministry of Finance.

#### Increased global outreach together with ACCA

In 2018, ACCA (Association of Chartered Certified Accountants) published a Professional Insight paper by The Ex'tax Project titled 'Tax as a Force for Good'. In 2019, ACCA organized several projects that increased the outreach substantially:

- International webinars and online conferences focussing on Ex'tax:
  - o A webinar at the global ACCA Accounting for the Future conference (almost 3,000 attendees)
  - o A webinar hosted for 235 Canadian financial professionals
  - o A webinar hosted by ACCA Pakistan (500 participants from 14 countries)
  - o A webinar hosted by ACCA Sri Lanka (400 participants)
- ACCA and Deloitte organised an event on the Ex'tax paper in Brussels with influential speakers and participants such as Gianmarco Monsellato (EU Tax Public Policy Leader at Deloitte EU policy Center), Florens Flues (OECD Centre for Tax Policy), Carola Maggiulli (Head of sector, environmental, energy, transport taxation and FTT at DG TAXUD), Dr Andreas Strub (Head of Unit of Tax Policy, Export Credits and Regional Policy at the Secretariat General of the Council) and Constance Hervé-Roux (Corporate Tax Director Veolia).
- ACCA published a Chinese translation of the Professional Insight paper.

#### Finnish Government Programme includes Ex'tax recommendations

In 2018, The Ex'tax Project, together with GBE and IEEP, presented a Finnish case study, which included a potential scenario on aligning fiscal policy with the Circular Economy Roadmap in Finland. In 2019, the government of Finland published the **Programme of Prime Minister Antti Rinne's Government: Inclusive and**

**competent Finland – a socially, economically and ecologically sustainable society.** This program reflects most of the recommendations in the Ex'tax study, including:

- Introduction of a carbon price floor;
- Removal of the diesel subsidies (transport sector), light fuel oil subsidy and peat tax subsidy;
- Taxation of non-energy use of fossil fuels (mineral oils and other fossil material used in plastics and other chemical industry);
- Electricity tax increase for bulk users;
- Removal of the subsidy for energy-intensive industries;
- Air passengers and air freight taxes;
- Incineration of waste tax;
- Extraction tax of metal ores and non-metallic minerals.

The revenues of the measures are to be used to lower labour taxes, provide income support for the lowest two income quintiles and invest in research and development (R&D) and renewables.

### **Dutch Government tax plan 2020 includes Ex'tax steps**

Over the years, The Ex'tax Project has held numerous presentations, meetings, discussions and with government officials and political figures to advocate the tax shift and introducing and explaining our studies. The government's 2020 tax plan specifically provides plans to shift the tax burden from labour to resource use by increasing tax on waste, waste incineration, natural gas, coal and particulate matter emitted by diesel vehicles. It also increases the contribution by bulk energy users towards the energy transition. The registration tax on cars is increased for taxis, based on CO<sub>2</sub> emissions. The tax burden on labour is reduced significantly by lowering personal income tax rates and increasing tax credits.

### **ABN AMRO Bank starts cooperation with Ex'tax to promote tax shift**

ABN AMRO, one of the biggest banks in The Netherlands, has become an ambassador for Ex'tax through several communication channels, such as blogs, publications, and events. For instance:

- Ex'tax was the main topic for an episode of ABN AMRO's CIRCL College Tour (live events) where Peter Gersen gave a lecture and a Q&A;
- ABN AMRO promoted Ex'tax in a public response to a Dutch massmedia 'SIRE campagne' on repairs. The bank's Sector Bank Manager (Retail) Henk Hofstede stated:  
*'To stimulate more sustainable use of products, adjusting tax measures is a viable option. The organisation Ex'tax' advocates the following: lower tax on labour, because recycling and repairing are labour intensive, and increase the tax on the use of natural resources.'*
- Hein Brekelmans, head of the Sustainable Finance Desk, mentioned the importance of Ex'tax in an interview in the popular Dutch tv-show 'Koffietijd', with an average of 200,000 viewers.

### **San José, Costa Rica lecture series**

Invited by OMINA Foundation, the Ex'tax team travelled to San José to provide a 3-day seminar titled 'Circular Economy Growth Model for the SDG Era'. Over 300 people attended, among them prominent business leaders, policymakers and high government officials. Femke was keynote speaker as well as panellist, together with (among others) Minister of Environment Carlos Manuel Rodriguez and, First Lady Claudia Dobles, who is leading the country's ambitious decarbonisation plan.

### **Presentation at COP25 event, EU pavilion, Madrid**

Invited by the European Union, Ex'tax co-organised a panel discussion at the COP25 global climate conference titled: **'The Sleeping Giant: Achieving the NDCs and SDGs through tax and subsidy reform'**. On the panel with Femke were Stéphane Pouffary (CEO, Energies 2050), Stephan Ruchti (Head of Sustainability, Foreign Policy Division Switzerland), Mohamed Nbou (UCLG, Africa Climate Task Force)

### **Panel at World Economic Forum side-event in Davos**

Dutch materials sciences company Royal DSM enabled Femke to represent Ex'tax at the World Economic Forum in Davos for the third time. This year, Femke joined the panel in Davos titled 'It's the Circle Economy, stupid! The new social contract and a trillion Euro business opportunity.' A side-event organized by Circle Economy.

### **In addition, Ex'tax managed to be included in the following programs and publications:**

- The UN Global Chemicals Outlook (available in all six UN languages)
- Colombia University (New York) international Circular Economy curriculum (second year)
- The Dutch National Thinktank ('Nationale DenkTank') program, which enables young academic thought leaders to jointly develop solutions for societal and economic issues

- The CEO of WBCSD Peter Bakker endorsed in his speech at World Circular Economy Forum 2019 in Helsinki.  
*"An organisation called Ex'tax as part of that [Finnish circular] roadmap has done an analysis how can we move [the] tax system away from labour into resourcing, i.e. make it more expensive to use resources, make labour cheaper so circularity, re-use becomes cheaper, more jobs will be created. Incredibly interesting outcomes. 6% Increase in GDP, 1.2% in GDP and jobs, 6% decline in greenhouse gas emissions. So, in taxation, there's a real thing we can do, which is, you know, a pricing solution. Which will then link into capital markets, lower the costs of capital, get more funds to invest, get the scale to flow."*

#### **Ex'tax recommendations in Circularity Gap Report 2019 presented at WEF**

Circle Economy published the 'Circularity Gap report' at the World Economic Forum (WEF) in Davos. From the press release:

*"The Netherlands has set itself a target of becoming 50% circular by 2030 and 100% by 2050, but most governments have yet to wake up to the potential of the circular economy. The report calls on governments to ensure that climate change and circular economy strategies are joined up to achieve maximum impact, through the use of tax and spending plans to drive change. They should:*

- *Abolish financial incentives which encourage overuse of natural resources, such as subsidies for fossil fuel exploration, extraction and consumption;*
- *Raise taxes on emissions, excessive resource extraction and waste production, for example by implementing a gradually increasing carbon tax;*
- *Lower taxes on labour, knowledge and innovation and invest in these areas. Lower labour taxes will encourage labour-intensive parts of a circular economy such as take-back schemes and recycling."*

#### **Workplan for 2020 and beyond**

The foundation's workplan for the upcoming years is based on expanding communications and advocacy efforts as well as expanding the foundation's role as international centre of expertise. The board expects to do several projects, in proportion to the assets of the foundation. In 2020, this will include the following activities:

- **Presentations, seminars and workshops.** STEP will continue to share its thought leadership through events and presentations in The Netherlands and abroad.
- **United by Tax platform.** Over the years, STEP has gained the support of a large number of business- and thought leaders, policymakers and professionals. The goal is to expand this network, to make support more explicit and more visible in order to influence tax policy thinking, through the new platform 'United by Tax'. The platform will feature supporters, showcases (videos) and testimonials, to be shared globally in the networks.
- **Research projects and targeted advocacy.** New scenario studies and research projects provide insights in the technical viability and impacts of Ex'tax, which in turn will help gain more explicit support from stakeholders. After the studies on the Netherlands (in 2014), the EU (2016), Finland (2018) and Bangladesh (2019), in 2020 the foundation is conducting a project in The Netherlands, which will help strengthen Ex'tax' position/visibility in the advocacy space in country and serve as a steppingstone for advocacy in the EU. The project includes a policy scoping study, a survey among entrepreneurs on the impact of Ex'tax on their business models and a campaign targeted towards the preparations for the Dutch 2021 general elections.

In the European Union, momentum around tax reform has been growing, as the European Green Deal clearly includes Ex'tax principles:

*"At national level, the European Green Deal will create the context for broad-based tax reforms, removing subsidies for fossil fuels, shifting the tax burden from labour to pollution, and taking into account social considerations."*

The activities above will contribute to expanding the foundation's role as international centre of expertise and they will serve as a steppingstone for more targeted advocacy in the European Union.

## Notes to the annual accounts 2019

### **Long-term liabilities**

In 2019, The Ex'tax Project had no long-term liabilities other than the employment contract with Mrs Groothuis.

### **Remuneration**

In accordance with the Memorandum of Association (in Dutch: *Akte van Oprichting*) article 5.5, board members do not receive remuneration for their work. For the remuneration of employees, The Ex'tax Project applies the regulations established by the Dutch Charities Organization (in Dutch: *de branchevereniging Goede Doelen Nederland*). These regulations include a maximum remuneration for management. The remuneration of management of The Ex'tax Project is significantly lower than this maximum.

### **Events that occurred after balance date**

In March 2020, The Ex'tax Project has reached an agreement with a large institute which secured the continuity of our activities.

### **Concluding remarks**

The achievements and growing support for The Ex'tax Project are a solid basis for 2020 and onwards. The board and management are confident about the momentum that is building for the topic of a tax as a force for good and the positive contribution of The Ex'tax Project in the transformation to an inclusive and circular economy and just society.

## Annual accounts 2019

### BALANCE SHEET

ASSETS	31-12-2019		31-12-2018	
	€	€	€	€
<b>Current assets</b>				
<u>Receivables</u>				
Prepayments and amounts receivable		530		530
<u>Cash at bank and in hand</u>		<u>8,949</u>		<u>29,573</u>
		<b><u>9,479</u></b>		<b><u>30,103</u></b>
<b>LIABILITIES</b>				
<b>Reserves and funds</b>				
Reserves	<u>-3,623</u>		<u>25,249</u>	
		-3,623		25,249
<b>Current liabilities</b>				
Taxes and social security contributions	3,610		3,604	
Other liabilities, accruals & deferred income	<u>9,492</u>		<u>1,250</u>	
		<u>13,102</u>		<u>4,854</u>
		<b><u>9,479</u></b>		<b><u>30,103</u></b>

### STATEMENT OF INCOME AND EXPENDITURE

	2019		2018	
	€	€	€	€
<b>Income from fundraising</b>				
Donations	189,250		132,750	
Income from lectures	1,512		600	
Income from interest	<u>0</u>		<u>0</u>	
<b>Total income</b>		190,762		133,350
<b>Expenses on objectives</b>				
Staff costs	151,230		150,787	
Other project costs	<u>56,076</u>		<u>53,046</u>	
		207,306		203,833
<b>Other expenses</b>				
General expenses		<u>12,328</u>		<u>9,829</u>
<b>Total expenses</b>		<u>219,634</u>		<u>213,662</u>
<b>Result (deducted from the reserves)</b>		<u>-28,872</u>		<u>-80,312</u>