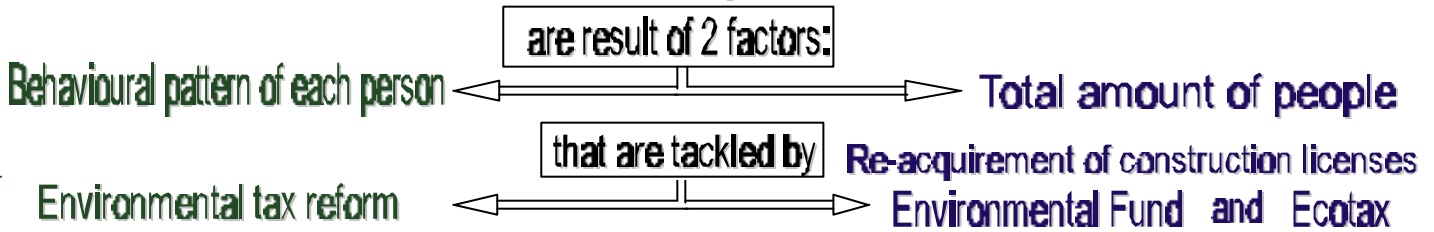
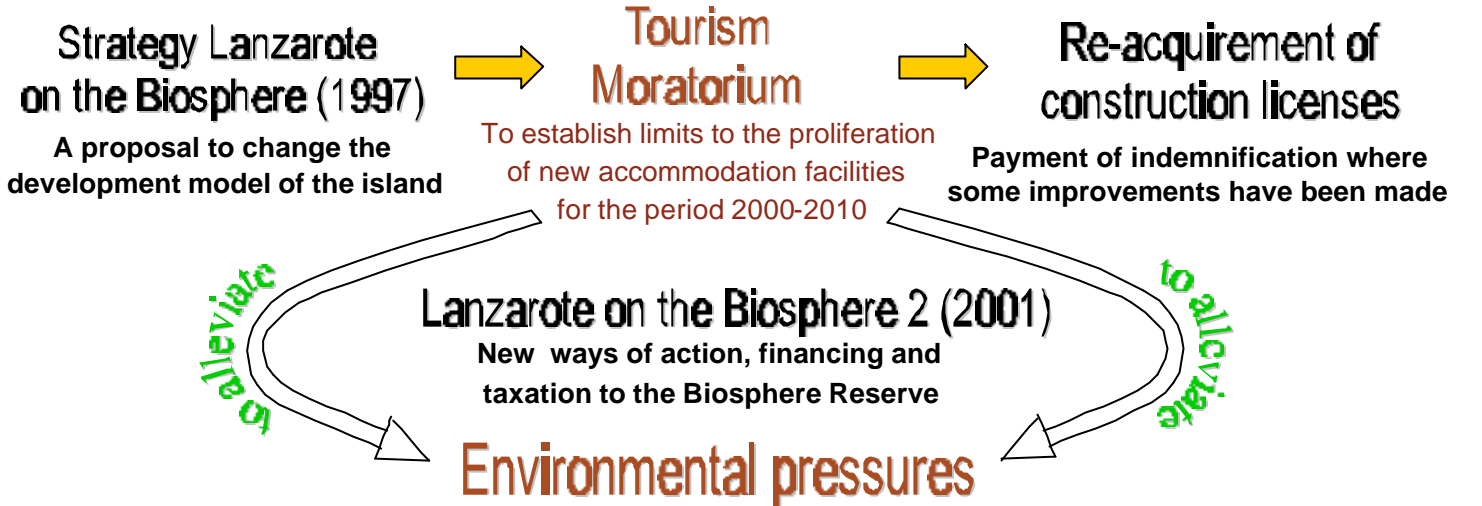


Taxes, Environment and Tourism in the island of Lanzarote

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Lanzarote – Biosphere Reserve



Environmental tax reform

- Municipal level** - Improve the collection mechanisms; changes in existents tributes; possible new tributes
- Island level** - Progressive water tax; changes in the distribution of waste management costs
- Regional level (autonomic government)** - Changes in the "Inversions Reserve of Canary Islands (RIC); increase tax on gasoline

Daily tax - Charge proportionally to the "tourist's environmental pressure" (number of days) and to its economic capacity (indicated by the hotel category).
 - Possible to include environmental criteria in its design

Entrance tax - Universality - affects all tourists, including the illegal hotels, apartments...
 - Legal uncertainty.

Scenarios: Average of 1 €/day (1,08% of total tourist's expenditure in 2000), which should not affect the demand significantly.

Assuming inelastic demand and a rigid supply of accommodations due to the construction constrain, there will be an unsatisfied demand and prices will tend to rise. The question is whether this extra money coming from the "scarcity income" will go to the hotels owner (without eco-tax) or to the public administration (with eco-tax).

The table shows the revenue obtained by 6 different taxes (2 types and 3 values to each type) and the number of years needed to re-acquire all construction licenses if the total money was expended with indemnification, assuming it to be of 300 million €.

	Entrance Tax			Daily Tax		
	10 €	15 €	20 €	1 €	1,5 €	2 €
Annual income (thousand of Euros)	20.000	30.000	40.000	18.250	27.375	36.500
Number of years to re-acquire the construction licenses, with a nominal interest of 5%	29	15	10	36	17	11