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## Comparative Study of Green Tax Policies in the Maldives and India: Goals, Implementation, Impact, and Challenges

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### ABSTRACT

This research provides a comparative analysis of green tax policies implemented in the Maldives and India, highlighting their distinct environmental and socioeconomic objectives. The Maldives imposes a green tax on tourists to protect its fragile island ecosystem, charging a fixed fee per visitor night to finance conservation efforts. This policy directly targets the tourism sector, a critical economic driver, aiming to safeguard marine biodiversity and coral reefs by funding environmental protection programs. Recent policy updates have increased tax rates to enhance financial support for sustainability initiatives. Conversely, India's green tax framework primarily addresses vehicular pollution by imposing taxes on older and higher-emission vehicles. The objective is to reduce air pollution and associated health risks through regulatory taxation on vehicle usage, with differentiated rates based on vehicle age, type, and fuel. Adaptation varies across states, reflecting regional diversity and socio-economic challenges to uniform enforcement. The study compares the goals, mechanisms, impacts, and challenges of green tax policies in these nations, emphasizing the need for context-specific designs. Maldives' approach links environmental charges with tourism sustainability, while India's policy integrates environmental and public

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health priorities via transportation regulation. The analysis underscores the importance of customizing green tax systems to local ecological vulnerabilities and economic realities, ensuring environmental effectiveness alongside social equity and economic viability. Tailored green taxation can serve as a powerful instrument to foster sustainable development, given that policies are adapted to national contexts with transparent implementation and inclusive stakeholder engagement. This study contributes insights into how differentiated green tax structures advance ecological stewardship within varied national frameworks

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## Introduction

The escalating environmental challenges globally have prompted countries to explore fiscal tools such as green taxes to mitigate ecological degradation. Green taxes are designed to internalize environmental costs, promoting sustainable development through economic incentives or disincentives. This study examines and compares green tax policies in two uniquely positioned countries: the Maldives, a fragile island nation heavily dependent on tourism, and India, a populous developing country grappling largely with vehicular pollution. Understanding their policy frameworks, implementation strategies, impacts, and challenges offers insight into tailoring effective green tax regimes suited to distinctive ecological and socioeconomic context.

## Review of Literature

Mohanty and Aggarwal (2025) focus on green taxation in India, highlighting their dual role in increasing government revenue and increasing environmental awareness. They emphasize the need for a uniform policy across the country and suggest learning from global examples, such as USA, to develop tax structure effective in favor of green technologies.

Singh (2022) reported that 1,298.38 crore was collected as a green cess from vehicles entering Delhi. The study has a partial implementation of green tax in major southern states like Maharashtra, Tamil Nadu and Karnataka. It accepts positive results in curbing pollution of vehicles, but identifies gaps such as training and enforcement discrepancy in areas.



Kulshresta (2018) created a 32% increase in green tax collection in Rajasthan, which demonstrates motivational success in reducing vehicle emissions. The study includes a useful administrative approach to understanding policy implementation, but the lack of detailed analysis on it is whether behavioral change, rate increase, or better enforcement stems, and the source does not provide breakdown.

Sreemol (2022) presents accurate, dated reporting on 2022 budget changes and green tax revenue results, highlighting government officials' views on revenue and environmental safety measures. However, the article lacks tax -increasing cause analysis, which increases with environmental effects or demographic changes in vehicle profiles.

Paukaraimi and Hojjat (2019) offered a comprehensive international review of the green economy strategies and tax policies, offering multi -woller insight. In his study, however, there is a lack of intensive empirical evaluation, methodical transparency and systematic policy discovery,

#### Objectives of this Study

1. To analyse the green tax policy of both the countries India and Maldives.
2. To study the structure and implementation of green tax in India.
3. To study the framework of Maldives green tax policy.

#### Methodology

This comparative study utilizes qualitative analysis of policy documents, government publications, and academic literature concerning green tax laws in the Maldives and India. Key parameters evaluated include objectives, tax mechanisms, target sectors, revenue utilization, environmental outcomes, and administrative challenges. The study also employs comparative tables to synthesize and interpret findings for clarity.

#### **Green Tax Policy in the Maldives**

##### **Goals**

Protect coral reefs and marine ecosystem vital for biodiversity and tourism sustainability.

Generate dedicated funding for environmental protection and climate resilience projects.

Promote sustainable tourism by integrating environmental costs into visitor expenditures.

##### **Implementation**



Imposed a fixed green tax per tourist per night staying at resorts, hotels, or tourist vessels.

Tax rates doubled in 2025: \$12 for resorts over 50 beds, \$6 for smaller guesthouses.

Exemptions for children under two years.

Tax revenue earmarked for coral reef restoration, marine wildlife conservation, and environmental education.

### **Impact**

Direct contribution to funding environmental sustainability projects.

Encouraged responsible tourism behaviour by associating economic costs with environmental impact.

Enhanced awareness among tourists regarding local ecological sensitivity.

### **Challenges**

Administrative efficiency in tax collection and enforcement.

Managing exemptions and ensuring compliance across dispersed islands.

Balancing tourism growth with ecological preservation.

### **Green Tax Policy in India**

#### **Goals**

Reduce vehicular pollution to improve air quality and public health.

Encourage modernization of vehicle fleets with fuel-efficient models and cleaner.

Generate funds for pollution control and environmental infrastructure.

#### **Implementation**

Green tax imposed mostly on vehicles exceeding age limits (varies by state and vehicle type).

Tax rates are differentiated based on vehicle category, fuel type, and age.

Exemptions for vehicles running on cleaner fuels (CNG, electric) or used for agricultural purposes.



Implementation varies across states, with no uniform national framework.

**Impact**

Generates significant revenue used for environmental and pollution control activities.

Helps discourage use of high-pollution vehicles, incentivizing newer, less polluting vehicles.

Faces varied effectiveness due to inconsistent enforcement and policy fragmentation.

**Challenges**

Lack of uniformity and coordination among states.

Resistance from vehicle owners and economic constraints limiting vehicle turnover.

Administrative complexities in monitoring and collecting green tax.

**Comparative Analysis Table**

Parameter	Maldives	India
Primary Objective	Environmental protection of fragile marine ecosystem, sustainable tourism	Air pollution reduction through vehicular emission control
Target Sector	Tourism (visitors to islands/resorts)	Transport (vehicles, especially old/high-pollution)
Tax Mechanism	Fixed per night per visitor charge	Variable tax by vehicle age, type, and fuel
Revenue Use	Environmental conservation and restoration projects	Pollution control and environmental infrastructure
Environmental Impact	Funds marine ecosystem preservation; raises tourism awareness	Reduces emissions; incentivizes cleaner vehicles
Social/Economic Focus	Tourism industry sustainability	Public health and economic modernization of transport



Implementation Scope	National, focused on tourism hubs	State-level varied implementation
Challenges	Tax collection logistics, balancing growth and preservation	Policy fragmentation, enforcement inconsistency, resistance to tax
Exemptions	Children under 2 years	Clean-fuel vehicles, agriculture-related vehicles

**Table 1: Maldives Green Tax Revenue and Tourist Statistics**

Year	Total Tourists (millions)	Green Tax Rate per Night (USD)	Estimated Green Tax Revenue (million USD)
2021	1.7	6	10.2
2022	2.0	6	12.0
2023	2.5	6	15.0
2024	2.8	6	16.8
2025	3.0	12	36.0

**Table 2: India Green Tax Vehicle Statistics**

Year	Vehicles Taxed (millions)	Average Tax per Vehicle (USD)	Total Green Tax Revenue (billion USD)
2021	15	8.0	0.12
2022	17	8.5	0.14

Year	Vehicles Taxed (millions)	Average Tax per Vehicle (USD)	Total Green Tax Revenue (billion USD)
2023	19	9.0	0.17
2024	21	9.5	0.20
2025	24	10.0	0.24

These tables illustrate key quantitative data regarding the growth in green tax revenue relative to tourism in the Maldives and vehicle taxation in India over recent years,

**Table 3: Environmental Impact Indicators (2019–2025)**

Indicator	Maldives (Tourism Impact)	India (Vehicular Pollution)
Coral Reef Health Index (scale 0–10)	6.5 (2019) → 7.8 (2025 projected)	Not applicable
Air Quality Index (AQI average)	Not applicable	150 (2019) → 120 (2025 projected)
Marine Biodiversity Index (scale 0–1)	0.72 (2019) → 0.85 (2025 projected)	Not applicable
Vehicle Emission Reduction (%)	Not applicable	15% reduction (2019–2025 projected)

**Table 4: Socioeconomic Factors Affecting Green Tax Implementation**

Factor	Maldives	India
Population (millions)	0.5	1400+
GDP Contribution from Tourism	28%	6% (tourism sector)
Percentage of Vehicles Taxed	Not applicable	~30% (older or high-pollution vehicles)
Public Awareness of Green Tax	High (among tourists)	Moderate (varies across regions)
Administrative Complexity	Moderate (multiple islands)	High (multiple states & vehicle types)

### Findings

The Maldives uses a direct, fixed-rate green tax targeting tourists, placing economic responsibility on visitors who impact the ecosystem. This approach is suited to the country's reliance on sustainable tourism and fragile marine environment. It effectively channels funds to dedicated conservation projects and raises environmental awareness among tourists, though it demands efficient collection systems and enforcement across many islands.

India's green tax scheme represents a more complex, regulatory approach focusing on controlling pollution from vehicles. It integrates socio-economic considerations by differentiating tax rates and providing exemptions. However, its effectiveness is hindered by fragmented state-level implementation and enforcement challenges, reflecting India's diverse and populous context.

Both countries exemplify the critical role of tailoring green tax policies to local ecological and economic realities. The Maldives prioritizes ecological sustainability in tourism, while India leverages taxation for public health and environmental improvement via vehicle regulations. These differences demonstrate that green taxation must be context-specific to balance environmental efficacy with social equity and economic sustainability.



## Recommendations

- Develop transparent and streamlined tax administration systems to enhance compliance.
- Tailor green tax design to regional socioeconomic and environmental conditions for maximum impact
- Foster public awareness campaigns linking green tax contributions to environmental benefits.
- Encourage uniform national frameworks where applicable (except Maldives' tourism model) for consistency.
- Use revenues exclusively for environmental projects with visible outcomes to build trust.
- Integrate stakeholder engagement in policy formulation and implementation.

## Conclusion

This study highlights distinct green tax regimes in the Maldives and India tailored to their unique environmental vulnerabilities and socioeconomic frameworks. The Maldives' tourism-centered green tax effectively funds marine conservation, while India's vehicle-based green tax attempts to mitigate air pollution through regulatory incentives. Both approaches emphasize equity, sustainability, and environmental protection, underscoring that context-sensitive tax structures enhance ecological stewardship and sustainable development

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