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submitted to the Public Accounts Committee

The supervision of wastewater and control of wastewater taxes

1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns the Danish Ministry of the Environment's supervision of wastewater and the Danish Ministry of Taxation's control of wastewater taxes. In September 2022, the Danish Public Accounts Committee asked Rigsrevisionen to carry out a study into the area. The committee's request flowed from the fact that treated and untreated wastewater has an environmental impact on streams and coastal waters. The questions put forward by the committee are reflected in appendix 1.

2. All water discharged from domestic households, businesses and industries, other facilities and surfaces that water cannot penetrate (roads, for example) is wastewater. Wastewater contains substances that can affect the aquatic environment, soil and groundwater. Some wastewater must be treated before being discharged into nature, and some can be discharged directly.

Wastewater treatment plants, particularly polluting companies and other sources like, for instance, the agricultural sector discharge wastewater. The wastewater treatment plants discharge wastewater through purification systems, overflow structures and rainwater outlets. Particularly polluting companies typically discharge wastewater directly and not through a wastewater treatment plant. Discharge from the agricultural sector takes place in the form of wastewater and fertiliser. The Agricultural Agency supervises the use of fertiliser, and the municipalities supervise wastewater discharge from the agricultural sector. The agricultural sector is thus not included in Rigsrevisionen's study.

3. The Danish Environmental Protection Agency has supervisory authority to check whether the wastewater treatment plants and most polluting companies have the required statutory permits to discharge wastewater into streams, lakes or the sea and whether the amount of wastewater and presence of substances in the wastewater discharged are not exceeding the scope of the permits. The Danish Tax Agency checks whether facilities discharging wastewater are paying the statutory wastewater taxes.

Wastewater treatment plant

A wastewater treatment plant manages wastewater discharge from a minimum of 10 properties. It is typically municipality-owned.

Overflow

Discharge of untreated wastewater into the sea, for example, when sewers and wastewater treatment facilities cannot keep up during heavy rain.

Rainwater outlets

Discharge of rainwater that has been contaminated but not mixed with sewage water.

Facilities discharging wastewater

In this report, facilities discharging wastewater is a joint term for wastewater treatment plants and particularly polluting companies.

4. The purpose of the study is to assess whether the supervision of wastewater discharge carried out by the Ministry of the Environment has been adequate and whether the Ministry of Taxation's control of wastewater taxes has been satisfactory. The study covers the years 2016 to 2022 and answers the following questions:

- Is the Ministry of the Environment supervising wastewater discharge adequately, and how does the ministry enforce the Environmental Protection Act.
- Is the Ministry of Taxation's control of wastewater taxes satisfactory, and how does the ministry enforce the Act on Wastewater Taxes?

5. The Ministry of the Environment and the Ministry of Taxation have the authority to enforce the law following an individual assessment of each case. Rigsrevisionen has not re-examined the assessments made in the individual cases, as this would require the exercise of professional judgment in each case.



Main conclusion

The supervision of wastewater discharge by the Ministry of the Environment is not satisfactory, and the Ministry of Taxation's control of wastewater taxes is not entirely satisfactory. Neither the Ministry of the Environment nor the Ministry of Taxation has a clear overview of the sources of wastewater discharge or the amounts discharged. This fact entails a risk that the environment is not sufficiently protected and that taxes paid are incorrect.

The Ministry of the Environment's supervision of wastewater discharge is not satisfactory

The Environmental Protection Agency selects facilities discharging wastewater for inspection based on risk assessments. This approach is considered satisfactory by Rigsrevisionen. However, the basis for the selection is inadequate, partly because the agency does not know of all permits to discharge wastewater, and partly because the agency is not consistently meeting the statutory requirements for ongoing re-assessment of permits issued to particularly polluting companies.

The Environmental Protection Agency supervises reports and compliance with the terms of the permits that the agency has on record. The supervision of overflows and rainwater outlets is inadequate. Rigsrevisionen notes that the Environmental Protection Agency is required by the Environmental Protection Act to supervise the discharge of wastewater from wastewater treatment plants. The supervision includes overflows. The agency should, therefore, ensure that there is a basis for conducting the supervision and carry out the supervision. In the reports on overflows and rainwater outlets, Rigsrevisionen detected errors and shortcomings that had been overlooked by the Environmental Protection Agency. In the 12 cases reviewed by Rigsrevisionen, the agency had detected 98 violations of terms in the years 2016 to 2022.

In the years 2016 to 2022, the action taken by the Environmental Protection Agency to enforce the regulations of the Environmental Protection Act has almost exclusively been in the form of recommendations and reminders. In the 12 cases, the agency detected 21 incidents of wastewater discharge without a permit. Rigsrevisionen notes that the agency has not used any of the instruments available to enforce the Environmental Protection Act in just under half of the cases. The agency has informed Rigsrevisionen that its guidance on enforcement of the Environmental Protection Act is currently being revised and that the agency is aware of the need to implement changes, for instance, to its practice of reporting incidents to the police.

The Ministry of Taxation's control of wastewater taxes is not entirely satisfactory

Revenues from wastewater taxes are modest. The Danish Tax Agency has estimated the risk of error and fraud related to wastewater taxes to be low compared to other and higher duties. Facilities discharging wastewater are, however, not selected for control based on risk assessments, and the agency does not have a complete overview of the facilities that should pay wastewater taxes. Rigsrevisionen compared data from the Environmental Protection Agency with data from the Danish Tax Agency and noted a potential risk that some wastewater discharge facilities had not paid any wastewater taxes, although they should have. The comparison also showed a potential risk that some facilities had paid too much and others too little. The Danish Tax Agency has not obtained data from the Data Protection Agency on facilities that have discharged wastewater and the amounts discharged.

The Danish Tax Agency checks whether liable entities pay the correct wastewater taxes. The Danish Tax Agency conducts ongoing monitoring of all reports and selected 12 cases for control from 2016 to 2022. The agency detected errors in eight of the 12 cases. The total value of the errors was approx. DKK 300,000 and thus considered minor because the errors made up only a small fraction of the total taxes payable for the eight cases. In 2023, the Danish Tax Agency launched a project to determine how to use data from the Environmental Protection Agency.

When the Danish Tax Agency detects errors or shortcomings in the reports, it enforces the Wastewater Discharge Act by either assigning or increasing the amount of wastewater taxes to be charged. The Ministry of Taxation has informed Rigsrevisionen that other than that, the agency has not – with one exception in 2018 – had cause to use any other instruments of enforcement.