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# *Carbon Tax Developments*

8 February 2019

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## *In brief*

On Tuesday, 5 February 2019, the Standing Committee on Finance adopted the Carbon Tax Bill. The Bill will now head towards the parliamentary vote process. In addition, the draft Customs and Excise Amendment Bill will be tabled in parliament on 20 February 2019 along with the 2019 Budget.

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## *In detail*

### *Carbon Tax implementation date*

It is proposed that the Carbon Tax Bill will come into operation on 1 June 2019. However, clause 16 of the Bill provides that the first tax period will commence on a date “determined by the Minister in the *Gazette*”. This means that only emissions from the date so determined will be subject to the tax. This date is obviously not known at this stage. Because the Carbon Tax Bill will only become operational on 1 June 2019, this presumably means that the effective date may not be gazetted before then and that any rules or regulations thereunder may also not be finalised before then.

National Treasury has previously indicated that the legislation could be finalised after the effective date of the tax. In theory, this could mean that the first tax period runs from 1 January 2019 (as indicated in the 2018 Budget). It is highly doubtful that any date other than 1 January will be the effective date as this would create significant practical challenges to applying the legislation for a portion of the calendar year (particularly in measuring emissions for part of a year).

What is interesting is that the Bill doesn't “hard code” the effective date as 1 January 2019, despite this date having been announced in the 2018 Budget. It therefore seems possible, if not probable, that the effective date will be pushed out to 1 January 2020. We expect clarity in this regard to be provided in the 2019 Budget.

### *Customs and Excise Amendment Bill*

It appears that the Customs and Excise Amendment Bill will be introduced in Parliament along with the tabling of the 2019 Budget. Amendments proposed by the Bill are expected to address administration and compliance requirements of the Carbon Tax. In this regard, the draft Customs and Excise Amendment Bill adds provisions to the Customs and Excise Act that address:

- the administration of allowances and limitation of allowances in relation to the Carbon Tax Bill;
- the requirement of a “taxpayer” (as defined in the Carbon Tax Bill) to license its premises; and
- administrative provisions relating to the submission and verification of accounts and the collection and payment of carbon tax.

### *What should taxpayers do?*

Taxpayers should determine whether their Scope 1 greenhouse gas (“GHG”) emissions resulting from fugitive emissions, industrial and fuel combustion processes exceed the thresholds prescribed in the Carbon Tax Bill.

Processes should be implemented to measure and verify GHG emissions. Internal accountability should be assigned to ensure accuracy and completeness of data that will be used to prepare Carbon Tax Returns. These processes should be aligned with the approved methodology of the Department of Environmental Affairs.

# *Tax Alert*

## National Tax Technical

### *Let's talk*

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