

## Carbon tax enters into operation

On the 22<sup>nd</sup> of May 2019, President Cyril Ramaphosa signed the Carbon Tax Act into law. The assent came just in time as the Act puts forth the 1<sup>st</sup> of June 2019 as the official implementation date. It is well known that the carbon tax is intended to form a critical component of South Africa's broader plan to mitigate green house gas emissions with the aim of meeting our international commitments to make a nationally determined contribution towards mitigating climate change. The mechanics of how exactly the tax will work, is a little more complicated.

The carbon tax will be primarily levied on direct emissions emanating from industrial processes as well indirect (fugitive) emissions provided those emissions exceed the threshold. In order to determine whether an agribusiness will be liable for carbon tax, the figures for direct and indirect emissions contained in schedules 1 and 2 of the Act must be studied and used in the formula contained in section 6 of the Act. If an agribusiness is liable to pay tax as per the schedules, the rate is initially set at R120 per tonne of CO<sub>2</sub> equivalent, with the amount increasing incrementally at a rate of CPI plus 2% up until 2022.

The administration of the carbon tax will take place via the Customs and Excise Act. SARS recently published draft rules for public comment outlining the detailed methodology that will be followed to administer the tax. Whilst these rules are still the subject of public consultation, it should be noted that the implementation date of 1 June 2019 is merely when a company's liability kicks in. The actual payment will only take place at the end of the relevant tax period, currently scheduled to be the 31<sup>st</sup> of December 2019. It is presumed that the relevant SARS rules will be finalised before that time. There is likewise a number of reductions and concessions contained in the Act that are not yet finalised. These include allowances for trade exposed industries, carbon offsets, carbon budgets and performance allowances – all of which requires detailed regulations to be promulgated before it can be given effect to.

Aside from those agribusinesses that may be directly affected by a liability to pay the tax, other agribusinesses and primary agriculture will likely feel the effect through an increase in the price of diesel. Although it has not yet been gazetted, the carbon tax on mobile fossil fuel combustion is expected to materialise through an increase in the general fuel levy as well as the imposition of a carbon fuel levy via the Schedules to the Customs and Excise Act. Agbiz will keep its members updated on any developments in this regard.