



Tax Alert



May 2019

Carbon Tax Act Promulgated

On 23 May 2019, in Notice 800 in Government Gazette 42483, the President assented to the Carbon Tax Act No. 15 of 2019. The purpose of the Act is “to provide for the imposition of a tax on the carbon dioxide (CO₂) equivalent of greenhouse gas emissions”. The Act comes into operation on **1 June 2019**.

The implementation of the tax follows South Africa’s international commitment to reduce greenhouse gas (“GHG”) emissions as a signatory to the 2015 Paris Agreement. Government’s aim with the carbon tax is to address the country’s carbon emissions which are disproportionately high as a developing country, primarily due to the country’s dependence on coal in energy generation.

Carbon tax imposes an initial levy of R120 per tonne of carbon dioxide equivalent (“CO₂e”) of GHG emissions above set tax-free allowances (the allowances could reduce the initial rate to as low as R6 – R48 per tonne of CO₂e).

Although the carbon tax is relatively simple in structure, its implementation is proving challenging for many entities. Carbon tax is based on fossil fuel consumption, industrial process emissions as well as fugitive emissions, all of which are not regularly or consistently measured by a large percentage of corporate South Africa.

The true financial impact of the tax for many companies remains unclear, given that regulations have not yet been issued regarding the application of key allowances.

The uncertainty is compounded in that, although the Act sets out how the tax will be managed for Phase 1 of the regime, many companies have unanswered questions regarding the financial impact of the tax for Phase 2. Companies should therefore, consider the implementation of any mitigation measures to minimise the impact of the carbon tax during Phase 1, since the mechanics of Phase 2 are still undefined.

SARS has issued various draft documents and forms regarding the administration of the Carbon Tax under the Customs and Excise Act. These draft documents have been released for public comment. Taxpayers will be relieved to see payment of the tax and submission of the attendant return for the first tax period (1 June 2019 to 31 December 2019) are delayed until July 2020.

Should you have any queries on the impact of Carbon Tax on your business, please feel free to contact us:



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