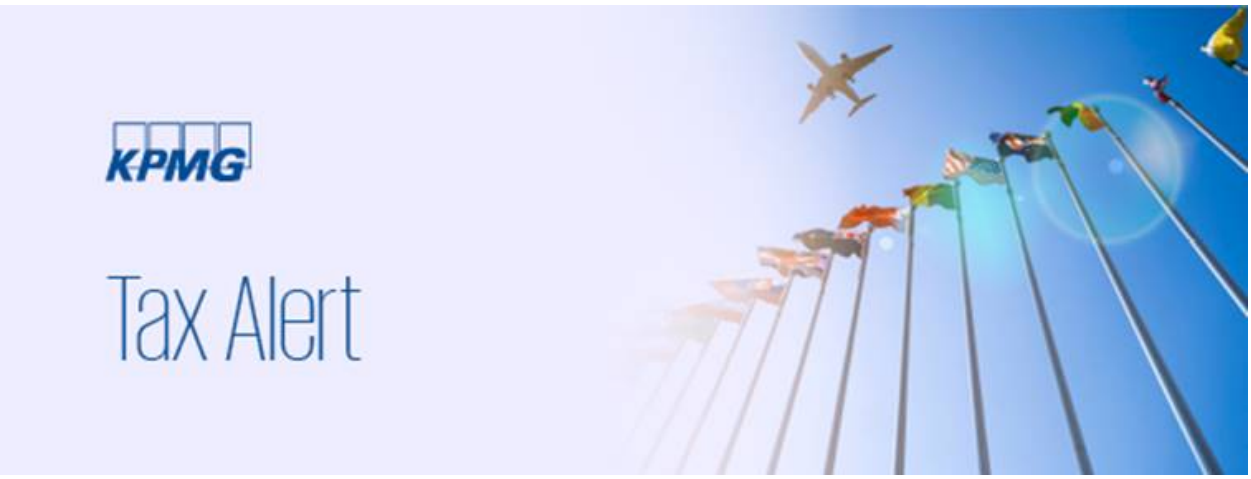

February 2018

Carbon Tax Bill

On 14 December 2017, National Treasury issued a second iteration (**2nd draft**) of the Carbon Tax Bill (refer the link) for public comment and introduction in Parliament. The policy design of the 2nd draft very much follows the first version, which was published in 2015, but contains a few revisions which take into account public comments received. Some key points to note include the following:

- The actual date of implementation of the carbon tax will be determined through a separate process by the Minister of Finance in an announcement at either the 2018 or 2019 Budget, taking into account the state of economy.

- The rate of tax remains at R120 per ton of CO_2e. With the tax-free allowances proposed, this means an initial effective carbon tax rate range between R6 to R48 per ton of CO_2e.

- Only entities with total installed capacity for an activity that is equal to or above the indicated threshold (mostly a total installed thermal capacity of 10MW) shall be required to report their emissions and will be subject to the tax in the first phase (up to 2022).

- Previously, the rate of tax would have escalated by 10% a year, however, the 2nd draft states that the rate will increase with inflation plus two percentage points until 2022, and the rate of inflation thereafter.

- The carbon tax will be deductible for income tax purposes to the extent that it forms part of a company's business expense.

- The Department of Environmental Affairs (**DEA**) will collect the emissions data which will form the tax base, hence incorporating the carbon tax within the South African National Atmospheric Emissions Inventory System.

- The South African Revenue Service (**SARS**) will be responsible for tax liability assessment and will be assisted by the DEA to verify reported emissions. Alignment between companies registered with the DEA and the taxable entity registered with SARS has commenced to enable companies to use their DEA details for the SARS process.

Stakeholders may submit written comments on the 2nd draft by close of business on Friday, 9 March 2018 directly to National Treasury to carbontaxbillcomments@treasury.gov.za. Alternatively, please send through your comments to any of the team members below by close of business on Friday, 16 February 2018 for inclusion in the KPMG submission.

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