

# Public comment sought on carbon tax regulations

Following the coming into effect of the Carbon Tax Act, National Treasury is seeking public comment into the Draft Regulations for Trade Exposure Allowance and the Draft Regulations for the Greenhouse Gas (GHG) Emissions Intensity Benchmarks.



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“The National Treasury has published for public comment two further sets of regulations, namely Draft Regulations for the Trade Exposure Allowance for purposes of section 10 and Draft Regulations for the Greenhouse Gas (GHG) Emissions Intensity Benchmarks for purposes of section 11 in terms of section 19(b) and (a) of the Act, respectively,” it said on Monday.

The Draft Regulations for the Trade Exposure Allowance gives effect to the sector based allowance and provides a list of sectors and subsectors and their respective trade exposure allowances. The regulations also outline an alternative approach to calculate the trade exposure allowance for companies.

In addition, the Trade Exposure Allowance, aims to assist companies that potentially face competitiveness pressures whilst the performance allowance seeks to encourage firms to reduce the carbon intensity of their production processes relative to their peers and promote the competitiveness of local products.

This follows on an extensive stakeholder consultation process on the design of the carbon tax and tax free-allowances since the publication of the Carbon Tax Policy Paper in 2013 and the 2015 version of the Carbon Tax bill.

Earlier this year, President Cyril Ramaphosa signed into law the Carbon Tax Act in May 2019. The Act came into effect from 1 June 2019.

The Carbon Offsets Regulations - which were developed jointly by the National Treasury, the Department of Minerals Resources and Energy and the Department of Environment, Forestry and Fisheries - were gazetted on Friday.

The regulations outline the eligibility criteria for offset projects and sets out the procedure for claiming the offset allowance.

Companies are allowed to use carbon offsets of either 5 or 10% of their total GHG emissions to reduce their tax liability.

On Monday, Treasury said it will ensure that the final regulations are gazetted by the first quarter of 2020. This is to align the regulations with the greenhouse emissions reporting period of the Department of Environment, Forestry and Fisheries.

“The carbon tax is an integral part of government’s package of policy measures to mitigate climate change as outlined in the National Climate Change Response Policy, National Development Plan and its Nationally Determined Contribution commitments under the 2015 Paris Agreement.”

These said Treasury, provide for the introduction of the carbon tax in a phased manner at a relatively low rate initially. This will allow businesses time to make the necessary structural adjustments to their production processes and practices and to ensure a just transition to a low carbon, climate resilient economy.

“To ensure a cost effective transition, the design of the tax provides for the recycling of revenues through the electricity generation levy credit and energy efficiency savings tax incentive, and significant tax free-allowances of up to 95% of the total greenhouse gas emissions to firms, consisting of a basic tax free allowance of 60% for direct, scope 1 emissions and allowances for sectors that are trade exposed up to a maximum of 10% and a performance allowance up to a maximum of 5%.”

The Draft Regulations and a detailed summary of the regulations are available on the National Treasury website ([www.treasury.gov.za](http://www.treasury.gov.za)).

Written comments on the 2019 Draft Regulations must be submitted to [carbontax@treasury.gov.za](mailto:carbontax@treasury.gov.za) by close of business on 17 January 2019.

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