

Carbon tax: priority air pollutants declared

The Department of Environmental Affairs published two draft notices, most recently in January 2016, in which priority air pollutants have been declared, in terms of the Draft Carbon Tax Bill, 2015 (Bill). The Bill provides for carbon tax to be imposed on certain industries that perform specified activities that emit greenhouse gas (GHG) emissions that have been declared 'priority air pollutants'.

 By [Helen Dagut](#) 12 Feb 2016



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The first notice refers to various emission sources and certain activities undertaken by GHG emitters. The second contains a list of production processes in which GHGs are produced. The activities subject to carbon tax are therefore uncertain at this stage, although the Department has advised that the production processes referred to in the January 2016 notice will apply.

Who does it affect and what are the obligations?

Carbon tax will be imposed only in respect of activities, which produce 'scope 1' or 'direct' emissions, which include emissions from stationary combustion of fossil fuels, mobile combustion of fossil fuels, and process and fugitive emissions.

Carbon tax will be levied on the amount of the input of the fossil fuel multiplied by specific emission factors, which are set out in Schedule 1 to the Bill, at a rate of R120/CO₂e for that specific GHG. The Bill imposes various reporting and accounting obligations that are integrated with various other regulations in the air quality legal regime, which may impose further obligations on taxpayers. A thorough understanding of the air quality legal regime and accounting practices will be needed in order to effectively manage one's carbon tax liability.

Deadlines for compliance

Carbon tax will be payable in accordance with tax periods, the first of which is proposed to run from 1 January 2017 until December 2017.

The Bill is broadly framed and has the potential to affect all industries, which release emissions that result from fuel combustion activities, industrial processes and fugitive sources. Entities affected by the tax will have to keep accurate records of their emissions, report to the Department of Environmental Affairs on emissions and account to SARS. Entities may start considering carbon offset mechanisms and other allowances in anticipation of the carbon tax.

Mining, electricity generation, fuel production and process industries are likely to be most affected by the proposed carbon tax.

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