



# Tax & Legal Flash



November 2021

## Carbon Tax – Phase 2

**In his maiden Medium Term Budget Speech on 11 November 2021, newly appointed Finance Minister Enoch Godongwana stated that South Africa’s climate change mitigation commitments are bold, and made reference to South Africa requiring “globally co-ordinated initiatives to succeed in reducing greenhouse gas emissions”. This begs the question of how the future of carbon tax fits into these commitments and initiatives.**

### **Uncertainty of the future of carbon tax**

The Carbon Tax Act No. 15 of 2019 (“Carbon Tax Act”), effective from 1 June 2019, was introduced to address the measures that Government is taking to meet its nationally-determined contribution in terms of the 2015 Paris Agreement on Climate Change. The carbon tax was designed to try to ensure that South Africa’s competitiveness is not compromised through its introduction, which included a phased-in approach.

While the Act sets out how the tax will be managed for Phase 1 (ending 31 December 2022), many companies have unanswered questions regarding the financial impact of the tax for Phase 2, which will run from 1 January 2023 to 31 December 2030.

The reason for the lack of clarity on Phase 2 can be found in the Explanatory Memorandum on the Carbon Tax Bill, 2018, published on 20 November 2018: “A review of the impact of the tax will be conducted after at least three years

*implementation*". This review will take into account the progress made in reducing GHG emissions.

### Medium Term Budget Policy Announcement

The carbon tax updates contained in the 2021/22 budget review provided some insight into what we could potentially expect from Phase 2. However, this was by no means a "crystal ball" on which to base any assumptions.

Although no details regarding how the carbon tax will be structured in Phase 2, we welcome the limited certainty provided within the 2021 Medium Term Budget Policy Statement, in that announcements concerning the second phase will be made in the 2022 Budget.

We will provide insight as and when further information becomes available.

### How can KPMG help?

KPMG's Carbon Tax's Team provides assistance to ensure that taxpayers are fully compliant with the Carbon Tax Act and C&E Act, which includes, *inter alia*:

- Determining the application of the carbon tax legislation to your business;
- Registration assistance with SARS in terms of the Customs & Excise Act;
- Calculating the potential Carbon Tax liability, including determining which allowances apply to your business; and
- E-filing submission assistance.

For additional information or assistance, please contact a member of our Carbon Tax Team:

#### Contact us



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Regards  
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