



Select Committee on Finance
Parliament of the Republic of South Africa
Plein Street
Cape Town
South Africa

By email: zrento@parliament.gov.za

8 March 2019

Chair, Members,

Submission: Carbon Tax Bill

1. We present below comments on the Carbon Tax Bill.

Process and Consultation

2. Please note that, given the limited time afforded to prepare and submit comments on the Bill, the below should not be seen as an exhaustive set of comments on the Bill.
3. In this regard, detailed comments were submitted by PwC to the National Treasury on 7 March 2018 on the second draft Carbon Tax Bill, which had been released for public comment by the National Treasury in December 2017. We understand that all of these comments were considered by the National Treasury, and were taken into account in the finalisation of the Bill.
4. Given that the call for comments by this Committee on the final Bill was only made on Saturday, 2 March 2019, we have not had the opportunity to fully consider the extent to which our comments on the second Draft Carbon Tax Bill have been incorporated into the final Bill.
5. Although we appreciate that this might not be possible, we believe that it would be appropriate for this Committee to extend the period for comment on the final Bill so that all of the relevant issues can be properly canvassed and appropriately considered. We believe, in any event, that it would (for the reasons set out below) be appropriate to postpone the effective date of the Carbon Tax to 1 January 2020. This would afford an extra period for consultation and engagement with this Committee on the issues that the final Bill raises.

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Effective date of the Carbon Tax

6. We note that the carbon tax levy on fuel is proposed to be introduced with effect from 5 June 2019. We also note that the carbon tax itself is to be implemented with effect from 1 June 2019. We have two concerns in this regard which we wish to bring to the Committee's attention.
7. Firstly, we note that the Carbon Tax Bill has been amended to provide that the first tax period for the carbon tax would operate from 1 June 2019 to 31 December 2019. This is problematic as the tax is levied on carbon emissions for the tax period. However, carbon emissions are reported to the Department of Environmental Affairs in terms of the Greenhouse Gas Reporting Regulations for a full calendar year and not for a portion of the year. Accordingly, the proposed effective date is not in alignment with the Greenhouse Gas Reporting Regulations on which the tax is intended to be aligned and will create significant compliance and administration burdens should the proposed effective date be implemented.
8. To illustrate, taxpayers will have to measure emissions for both the entire 2019 calendar year (to be reported under the Greenhouse Gas Reporting Regulations) as well as separately for the period 1 June 2019 to 31 December 2019 for purposes of determining the carbon tax liability. This will create a substantial additional compliance burden on taxpayers. Secondly, the intention was that SARS would be able to confirm the emissions reported for purposes of the carbon tax with those reported under the Greenhouse Gas Reporting Regulations with the Department of Environmental Affairs. This will obviously not be possible in the first tax period and will therefore create a difficulty for SARS to verify the emissions reported for carbon tax purposes, a difficulty which is likely to be passed on to taxpayers to support the emissions reported for purposes of the carbon tax, resulting in further compliance burdens and potentially protracted disputes.
9. We are therefore of the view that this is a fatal flaw of the Carbon Tax Bill, and that the only possible way in which this can be addressed is to make the first tax period for the Carbon Tax to operate from 1 January 2020 to 31 December 2020.
10. Finally, it was always intended that the carbon tax would be fiscally neutral. In this regard, it is concerning that the Budget suggests that the forecast revenues of R1.8 billion from the carbon tax on fuel is now proposed to be used as a revenue raising instrument with no corresponding increase in expenditure to recycle these revenues. This is most concerning as the limited negative economic impact of the introduction of the carbon tax was highly dependant on the revenues from the carbon tax being recycled.
11. The result is that, if the carbon tax is implemented without the revenues being recycled as was indicated would be the case, it could result in a significant detrimental impact on the economy and on employment, something which the country can ill-afford at this juncture.



We thank you for the opportunity to offer our comments, and we trust that you find this to be of assistance. Please do not hesitate to call on us for further analysis.

Yours sincerely,

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