

ENVIRONMENTAL TAXES IN SOUTH AFRICA

PREPARED FOR NTO WEBINAR

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Thank you for walking this journey with us



ENVIRONMENTAL TAXES IN SA

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ENVIRONMENTAL TAXES IN SA

Introduction

- In South Africa, environmental taxes are administered under the Customs and Excise legislation (Customs and Excise Act, 91 of 1964), within South African Revenue Service by a specialised Excise Team.
- There are Excise Regional teams managed regionally, however Senior Management is centralised for easy coordination.
- South African parliament has legislated various environmental levies/taxes to deal with global climate issues, reduction of environmental hazardous products, to promote green technology and ensure sustainable living and in the process to also collect revenue for the government.
- There are currently seven environmental taxes/levies that are administered by South African Revenue Service.

ENVIRONMENTAL TAXES IN SA

Introduction (continued)

THE ENVIRONMENTAL TAXES CURRENTLY APPLICABLE IN SOUTH AFRICA AND AS ADMINISTERED BY SARS ARE AS FOLLOWS:

- Plastic Bag Levy
- Electricity Generation levy
- Incandescent Light Bulb Levy
- CO2 on New Motor Vehicles Levy
- Tyre Levy
- Carbon Fuel Levy
- Carbon Tax

ENVIRONMENTAL TAXES IN SA

Plastic Bag Levy

- Certain types of plastic carrier and flat bags, the disposal of which is littering the environment, are subjected to the payment of an environmental levy, earmarked to establish re-cycling facilities.
- Environmental Levy on Plastic Bags is payable by manufacturers thereof if used within South Africa based on the quantity (per unit) of the leviable plastic bags..
- Plastic bag levy was implemented as from June 2004 through the amendment of Customs and Excise Act.
- Plastic bag levy returns are submitted quarterly by the licensed manufacturers.
- Annual revenue collections are approximately R655 million.

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Electricity Generation Levy

- Electricity Generation by using non-renewable (fossil) fuels and environmentally hazardous (nuclear) sources are subjected to the payment of an environmental levy if generated in South Africa.
- Relevant entities license with SARS Excise and electricity is chargeable based on the quantity of non-renewable electricity generated for those that produce more than 5MW.
- Electricity generation levy was implemented in July 2009 through the amendment of Customs and Excise Act.
- The returns are submitted monthly by the licensed producers.
- Annual revenue collections are approximately R7 billion.

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Incandescent Light Bulb Levy

- Electric Filament Lamps (i.e. non energy-saving light bulbs) are subject to the payment of an Environmental Levy if manufactured in SA and those that are imported into SA.
- Relevant entities in South Africa must license with SARS Excise before they start to manufacture or otherwise deal in Electric Filament Lamps and the levy is charged per lamp.
- This environmental levy was implemented in June 2004 through amendment of Customs and Excise Act.
- There are no tax returns submitted for this levy as in South Africa there are no manufacturers of these light bulbs and all are imported from other countries.
- Annual revenue collections are approximately R200 million.

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CO2 on New Motor Vehicles Levy

- Motor Vehicle Carbon dioxide (CO2) Emissions above a specified threshold deemed harmful to the environment are subject to the payment of an Environmental Levy if used in the RSA. The objective of the levy is to influence the composition of South Africa's (SA) vehicle fleet to become more energy efficient and environmentally friendly.
- .New Motor vehicle emissions levy was implemented in September 2010 through the amendment of Customs and Excise Act.
- This environmental Levy is payable on new motor vehicles by manufacturers based on CO2 emissions above the threshold as shown on the laboratory test report.
- CO2 on New Motor vehicle returns are submitted quarterly by the licensed manufacturers of vehicles.
- Annual revenue collections are approximately R2.8 billion.

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Tyre Levy

- New, used or re-treaded pneumatic tyres, the disposal of which is littering the environment, are subject to the payment of an Environmental Levy. The levy is payable by the manufacturers of tyres.
- .Tyre levy was implemented on 01 February 2017 through the amendment of Customs and Excise Act.
- The tyre levy is chargeable per Kilogram Net (KN) irrespective of the type or size of the tyre concerned. The nett mass of the tyres must be declared as KN [mass net (kg)].
- Tyre levy returns are submitted quarterly by the licensed manufacturers.
- Annual revenue collections are approximately R200 million (local)/ R550 million (imports).

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Carbon Fuel Levy

- The carbon fuel levy came into effect on 05 June 2019 through the amendment of Customs and Excise Act, and it was incorporated as part of the general fuel levy. It is payable on petroleum products such as petrol, diesel, biodiesel, paraffin and hydrocarbon solvents.
- The tax is targeted at the oil refineries that produce these petroleum products which are already registered for fuel levy and other excise duties. The tax also applies on these imported petroleum products.
- It is chargeable per litre multiplied by the tax rate as announced annually by the Minister of Finance.
- Monthly returns are submitted for carbon fuel levy as part of the Fuel levy return.
- Annual revenue collections are approximately R2.5 billion.

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Carbon Tax

- The Carbon Tax was introduced with effective date 01 June 2019 through the promulgation of Carbon Tax Act and amendment of Customs and Excise Act.
- It currently has about 384 licensees nationally
- The carbon dioxide equivalent of greenhouse gas emissions of a taxpayer in respect of a tax period resulting from fuel combustion, industrial processes and fugitive emissions are taxed at a specific rate as announced annually by the Minister of Finance.
- There is inter-governmental cooperation between South African Department of environmental affairs and SARS in administering this tax as the department is responsible for carbon emissions reporting, this data is shared with SARS annually.
- One annual return is submitted for carbon tax.
- Annual collections are approximately R2.1 billion.

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International Oil Pollution Compensation Fund Levy (IOPCF)

- IOPCF Levy was introduced in South Africa with effect from 01 May 2014 through The Merchant Shipping Administration Act of 2013.
- South Africa is a signatory to the International Convention on Civil Liability for Oil Pollution Damage of 1992 (the Civil Liability Convention) as well as the Fund Convention of 1992 (the Fund Convention). Together these conventions govern the liability of ship owners for oil pollution damage, create a system of compulsory liability insurance, and establish the IOPCF which provides compensation for victims who do not obtain full compensation under the Civil Liability Convention.
- One annual return is submitted for IOPCF Levy
- Annual collections are approximately R2.5 million.

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Compliance Measures

- **Licensing:** The clients that are liable for these environmental levies are always required to be licensed with South African Revenue Service and be issued with specific tax number for the relevant environmental levy. The premises will be licensed and activities within these premises be regulated through the Customs and Excise legislation.
- **Declaration/ Payments:** Legislation also prescribes periodic submission and payments of environmental levy returns, either monthly, quarterly, or annual returns.
- **Timely Submission:** There is regular monitoring and follow up of environmental levy returns submissions and payments periodically after due dates.
- **Risk Identification:** Automated risk engine was implemented to ensure that risks and anomalies are detected on submission of the environmental levy returns.
- **Submission Method:** There is an electronic platform which is used to submit and make payments for the environmental levy returns – eFiling website
- **Query Resolution:** There are also established communication channels where taxpayers can seek clarity with regards to the levies, such as Contact centre, Branch offices, ChatBots, etc.

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Compliance Measures: Enforced Compliance

- **Enforcement Action:** Regular planned audits are conducted on taxpayers by SARS Excise Audit teams to ensure compliance with legislation.
- **Internal Oversight:** SARS Excise is audited by the SARS Internal Auditor Unit to ensure compliance to internal audit policies, Standard Operating Procedures and that audit standards are met.
- **External Oversight:** SARS is also audited by the Auditor General of South Africa (independent audit authority of SA) to ensure that SARS complies with the applicable legislation and policies in administering these taxes and due processes are adhered to.
- **Punitive Sanctions:** Our Act allows for various punitive sanctions to be imposed for non-compliant entities, including interest charged on overdue payments, penalties imposed to de-licensing of entities for repeat or material non-compliance.

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CONCLUSION – QUESTIONS AND ANSWERS OPPORTUNITY

Questions??

Thank you
Re a leboha
Re a leboga
Ndza Khensa
Dankie
Ndi a livhuwa
Ngiyabonga
Enkosi
Ngiyathokoza



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