



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

DRAFT REGULATIONS: TRADE EXPOSURE ALLOWANCE

December 2019

CARBON TAX ACT NO 15 OF 2019: PUBLICATION OF PROPOSED REGULATIONS MADE IN TERMS OF SECTION 10

Proposed regulations in terms of section 10 of the Carbon Tax Act, 2019, are hereby published for comment.

SCHEDULE

PREAMBLE

SINCE, in ratifying the Paris Agreement, South Africa together with other countries committed to help limit warming to well below two degrees Celsius above pre-industrial levels and to implement climate policy measures to incentivise absolute emission reductions;

AND SINCE, carbon pricing measures are recognised as important policies as part of climate policy packages that help to price GHG emissions and create incentives for changes in the behaviour of both consumers and producers that drive reductions in GHG emissions in a cost effective, flexible manner;

AND SINCE, as the coverage of carbon pricing measures expands globally, the impacts on industry competitiveness are likely to be reduced and the benefits and investment opportunities will increase for new, low carbon industries;

AND SINCE, it is also critical to ensure that the risk mitigation measure does not affect the ability of the carbon tax to address the climate change objectives and should take into account the impact of the measure on the environmental effectiveness of the carbon tax price signal;

THEREFORE, while internalising the social costs of greenhouse gases, to address potential risk of carbon leakage and reduced industry competitiveness, transitional support is provided to sectors and subsectors through a special, targeted trade exposure allowance.

BE IT THEREFORE ENACTED by Regulation as follows:—

Definitions

1. In these regulations, unless the context otherwise indicates, any word or expression to which a meaning has been assigned in the Carbon Tax Act, 2019, bears the meaning so assigned.

Allowance in respect of trade exposure in respect of carbon tax liability

2. Subject to regulations 3 and 4, for the purposes of section 10 of the Carbon Tax Act, 2019, a taxpayer that must receive an allowance in respect of trade exposure must determine that allowance in accordance with the table contained in Annexure A by matching the line in the column "Sector" with the percentage in the corresponding line of the column "Allowance".

Trade exposure in relation to more than one sector

3. For the purposes of section 10 of the Carbon Tax Act, 2019, where a taxpayer that must receive an allowance in respect of trade exposure is subject to trade exposure in respect of more than one sector, that allowance must be a percentage equal to the sum of the percentages in respect of each sector determined in accordance with the formula:

$$X = S \times N$$

in which formula—

- (a) "X" represents the percentage to be determined
- (b) "S" represents the percentage of the allowance in respect of the relevant sector, determined in terms of regulation 2.
- (c) "N" represents a number that must be determined in accordance with the formula:

$$X = \frac{P}{S} \times Y$$

in which formula—

- (i) “X” represents the number to be determined;
- (ii) “P” represents the number equal to average of the total production of the relevant individual sector for the immediately preceding three tax periods, determined by means of the statistical release published from time to time by Statistics South Africa: “Manufacturing: Production and Sales” or by means of the statistical release published from time to time by Statistics South Africa: “Mining”: Production and Sales”;
- (iii) “S” represents a number equal to the sum of the average of the total production of all the relevant sectors for the immediately preceding three tax periods determined by means of the statistical release published from time to time by Statistics South Africa: “Manufacturing: Production and Sales” or by means of the statistical release published from time to time by Statistics South Africa: “Mining”: Production and Sales”; and
- (iv) “Y” represents the number 100.

Alternative method for calculating trade exposure allowance

4. (1) Subject to subregulation (2), if a taxpayer is of the opinion that the trade exposure allowance determined in terms of section 2 does not accurately reflect the extent of the trade exposure of that taxpayer, that taxpayer may determine the percentage of the trade exposure allowance in accordance with subregulations (2) and (3).

(2) A taxpayer must determine the trade intensity of that taxpayer in accordance with the formula:

$$X = \frac{(E+I)}{S} \times Y$$

in which formula—

- (a) “X” represents the percentage to be determined;
- (b) “E” represents an amount equal to the monetary value of products that were exported by the taxpayer during the tax period;
- (b) “I” represents an amount equal to the monetary value of products that were imported by the taxpayer during the tax period;

(c) “S” represents an amount equal to the total sales of the taxpayer during the tax period; and

(d) “Y” represents the number 100.

(3) A taxpayer must, if the percentage determined in terms of subregulation (2) is—

(a) less than 10 per cent, receive no allowance;

(b) equal to or greater than 10 per cent, but less than 30 per cent, receive an allowance equal to the percentage determined in terms of subregulation (2) multiplied by the fraction 0.33; or

(c) equal to or greater than 30 per cent, receive an allowance of 10 per cent.

Short title and commencement

5. These regulations are called the Regulations on the Allowance in respect of trade exposure in respect of carbon tax liability under section 10 of the Carbon Tax Act and come into operation on 1 June 2019.

ANNEXURE A

IPCC Code	SIC Code	Sector Name	Trade Exposure Allowance
1A1	411	Production, collection and distribution of electricity	4,87%
1A2			
1A4a			
1A4c			
1B2	412	Manufacture of gas; distribution of gaseous fuels through mains	4,87%
2B8g	413	Steam and hot water supply	4,87%
1B1a	210	Mining of coal and lignite	10,00%
1B1	221	Extraction of petroleum and natural gas	10,00%
1B2			
-	230	Mining of uranium (excluding gold)	10,00%
2C1	241	Mining of iron ore	10,00%
2C3	242	Mining of non-ferrous metal	10,00%
-	251	Stone quarrying, clay and sand	10,00%
-	253	Mining and quarrying other non-metallic minerals	10,00%
-	301	Meat , fish, fruit etc.	10,00%
-	302	Dairy products	4,48%
-	303	Grain mill products	7,37%
-	304	Other food products	7,59%
-	305	Beverages	3,46%
-	306	Manufacture of tobacco products	10,00%
-	311	Textiles	10,00%
-	312	Other textile products	10,00%
-	313	Knitted, crocheted articles	10,00%
-	314	Wearing apparel	10,00%
-	316	Leather and leather products	10,00%
-	317	Footwear	10,00%
-	321	Sawmilling and planing of wood	10,00%
-	322	Products of wood	6,12%
-	323	Paper and paper products	10,00%
-	324	Publishing	7,91%
-	325	Printing , recorded media	0,00%

IPCC Code	SIC Code	Sector Name	Trade Exposure Allowance
2B	331-333	Coke, petroleum products and nuclear fuel	10,00%
1B1			
2B	334	Basic Chemicals	10,00%
2A1			
2B1-7	335	Other chemical products	10,00%
2A1			
-	336	Manufacture of manmade fibre	10,00%
2B6	337	Rubber Products	10,00%
2B3	338	Plastic Products	10,00%
2B4			
2B6			
2A3	341	Glass and glass products	10,00%
2A1	342	Non-metallic mineral products	8,26%
2A2			
2A4a			
2C1	351	Basic iron and steel products	10,%
2C3-2C6	352	Non-ferrous metal products	10,00%
2C	353	Casting of Metals	10,00%
2C	354	Structural metal products, tanks, reservoirs and steam generators.	7,53%
2C	355	Other fabricated metal products, metalwork service activities	10,00%
2C	356	General purpose machinery	10,00%
2C	357	Special purpose machinery	10,00%
2C	358	Manufacture of Household Appliances n.e.c	10,00%

IPCC Code	SIC Code	Sector Name	Trade Exposure Allowance
-	359	Manufacturing of Office, Accounting and Computing Machinery	10,00%
2G1	361	Manufacture of Electric Motors, Generators and Transformers	10,00%
2G1	362	Manufacture of Electricity Distribution and Control Apparatus	10,00%
2G1	363	Manufacture of Insulated Wire and Cable	10,00%
2G1	364	Manufacture of Accumulators, Primary Cells and Primary Batteries	10,00%
2G1	365	Manufacture of Electric Lamps and Lighting Equipment	10,00%
2G1	366	Other electrical equipment	10,00%
2G1	369	Electrical machinery	10,00%
2G1	371	Manufacture of electronic valves and tubes and other electric components	10,00%
2E	372	Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy	10,00%
2E	373	Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods	10,00%
2G2 2G3	374	Manufacture Of Medical Appliances And Instruments And Appliances For Measuring, Checking, Testing, Navigating And For Other Purposes, Except Optical Instruments	10,00%
-	375	Manufacture of optical instruments and photographic equipment	10,00%
2E	376	Manufacture of watches and clocks	10,00%
2E	379	Radio, television and communication apparatus and professional equipment	10,00%
-	381	Motor vehicles	10,00%
-	382	Bodies for motor vehicles, trailers and semi-trailers	10,00%
-	383	Parts and accessories	9,81%

IPCC Code	SIC Code	Sector Name	Trade Exposure Allowance
-	384	Other transport equipment	0,00%
-	385	Manufacture of railway and tramway locomotives and rolling stock	10,00%
-	386	Manufacture of aircraft and space craft	10,00%
-	387	Manufacture of transport equipment n.e.c.	10,00%
-	389	Motor vehicles, parts and accessories and other transport equipment	10,00%
-	391	Furniture	10,00%