

CARBON TAX OFFERING

The South African National Treasury has for a long time been considering placing a tax on Greenhouse Gas (GHG) emissions. The introduction of this carbon tax is scheduled for **June 2019**. Although its introduction has been delayed several times, we don't think it will be delayed any further.

Why do we think it will be introduced from June 2018?



South Africa ratified the Paris Agreement in 2015 which comes into effect in 2020



South Africa faces a budget deficit in the region of 4.3% of the GDP.



The work needed to implement the carbon tax is well underway.

We anticipate that the Parliamentary Committee on Finance will vote on the introduction of the carbon tax on the 5th of February 2019. Thereafter, its introduction for June 2019 will be confirmed by the Minister of Finance in the Budget Speech on the 20th of February 2019.

With the introduction of the carbon tax **less than five months away**, it is imperative that companies think about how they are going to manage the carbon tax process to ensure effective management of the risk.

Not only does getting it wrong have the potential to result in overpaying, but also incurring penalties from both the Department of Environmental Affairs (DEA) and the South African Revenue Services (SARS).

1

High likelihood of overpaying due to setting of organisational boundaries, calculation of installed capacity of activities etc.

2

High likelihood of not making use of the full benefit of the tax-free thresholds and carbon sequestered.

3

Penalties from DEA of up to 10 million or up to 10 years in prison.

4

Penalties and interest from SARS. Two year prescription period. Penalties typically levied at 10% for underpayment.

Having assisted a number of companies to prepare for the introduction of the carbon tax, we have noticed a few common pitfalls -

Errors in setting of boundaries (operational control definition, legal entity-level, group-level)

Errors in identification of activities and application of thresholds

Errors in selection of densities, calorific values and emission factors

Errors in selection of data sources

To not only ensure compliance, but also to reduce your carbon tax liability, why not consider outsourcing the carbon tax process to **Catalyst**?

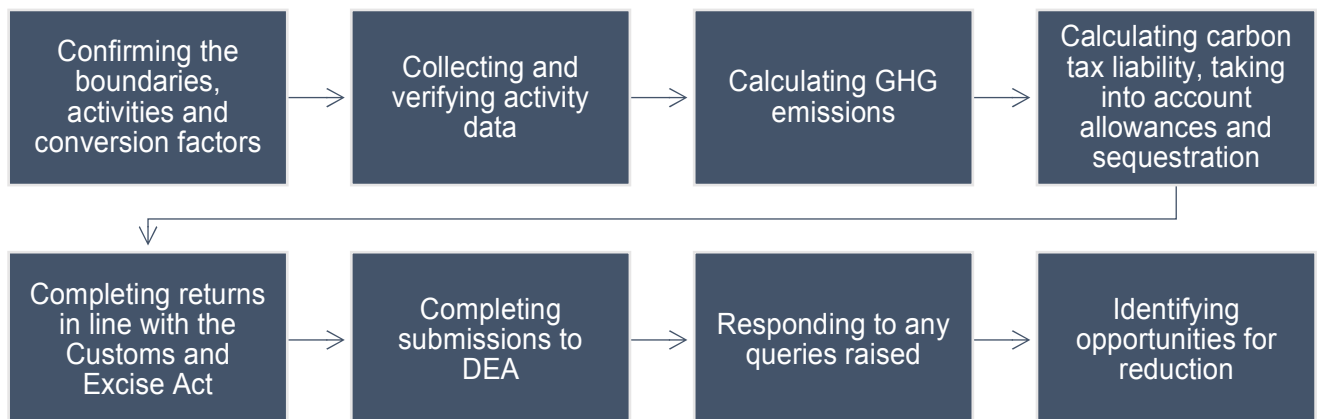
Catalyst is a subsidiary of the **VAT IT Group**. VAT IT is a global cross-border VAT specialist, with 60 wholly owned offices spread throughout Europe, America, Asia, India, Africa and Australia. VAT IT has experience assisting over 8 000 companies from 107 countries claim VAT and other tax benefits. It is a world-class company, dedicated to creating transparent compliance and cost saving solutions offering services relating to VAT recovery, VAT compliance and withholding taxes.

Our team consists of tax professionals, accountants, lawyers, carbon specialists and engineers. We are a SANAS-accredited company for measurement and verification of energy (**EEMV0012**). We are in the process of becoming SANAS-accredited under **ISO 14065** for verification of GHG emissions. We run an internal **ISO 9001** Quality Management System.

Our Service Offering



We will manage the carbon tax process for you. This would typically involve –



If you want comfort that you are compliant and not over- or under-paying then you be using an ISO 14065 auditor. Although not currently a requirement, it is currently being investigated as a requirement for verification of GHG emissions in South Africa. It is also in line with international best practice.

Normal Assurance (ISAE 3000/3410)

Carbon-Specific Assurance (ISO 14065)

Not specific to GHG emissions, but rather outlining the way in which assurance engagements should be conducted. Provides reasonable or limited assurance on non-financial data. Does not require a multi-disciplinary team. Talks to traceability of data as opposed to accuracy with regards to boundary-setting, conversion factors etc.

Specific to GHG emissions. Developed by 70 international experts from 30 countries, including the International Accreditation Forum. The UNFCCC has observer status. Details specific GHG-related competencies of the auditors. Requires a multi-disciplinary team. Focused on all aspects of GHG emissions quantification.

Health Check



A free health check will be offered to all customers that use our retainer-based services when the carbon tax is introduced. This health check will include a calculation of the carbon footprint in line with the prescribed methods, a calculation of the anticipated carbon tax liability and a preliminary view on where reduction is possible.

Being part of the **VAT IT Group** allows us to be flexible in our model and agile in our response to the needs of our customers. We are able to leverage our specialist skills and processes to ensure compliance, reducing the risks of under or overpaying. We are also able to assist customers to reduce carbon tax liability through making the most of the allowances, claiming for carbon sequestered and reducing GHG emissions.

For more information contact –

Christo Engelbrecht | Director | Carbon Tax
christo@catalystsolutions.co.za

o +27 11 555 8444
d +27 11 555 8379
c +27 84 513 8177

Level 2, 54 Melrose Boulevard, Melrose Arch, Melrose North, 2196
www.catalystsolutions.global

At Catalyst Solutions, we will work with you to identify which incentive is the most appropriate for your unique situation.

For more information on the investment grants and incentives offering, contact us on:
+27 11 555 8444 or info@catalystsolutions.co.za

A member of the **VAT^{IT}** Group