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Finance Minister PravinGordhan, in his February 2013 budget speech announced plans for a carbon tax effective from 1st January 2015. Carbon Tax would initially start at an amount of R120/t of carbon dioxide (CO<sub>2</sub>) equivalent.

According to the Minister Gordhan, "to soften the impact, a tax-free exemption threshold of 60 per cent will be set, with additional allowances for emissions intensive and trade-exposed industries". It is planned that the proposed tax will escalate by 10% per annum up until 2020 the end of the first phase of implementation for the tax.

National Treasury has indicated an updated carbon tax policy paper to allow for further consultation will be published at the end of March 2013. This paper should outline finer details, and potential exemptions for difference sectors.

The carbon tax will in all likelihood be restricted to direct or Scope 1 emissions. This should mean a relatively low tax burden for services based industries and smaller businesses. To illustrate this with an example: The average medium sized Bed and Breakfast has a carbon footprint of around 50 Tons CO<sub>2</sub> e per annum. Of this only about 5 tons is as a result of Scope 1 emissions. Taking into consideration the 60% tax-free threshold, the tax burden would be less than R300 per year. This would obviously vary greatly between businesses in different sectors and businesses that have already implemented carbon footprint management programs.

"Although it is improbable that any business would welcome this additional tax burden, mitigating your potential carbon tax risk will probably save you significantly more money on energy and transport than the tax itself. Managing your Carbon Footprint is about business efficiency and brings a host of reputational and indirect benefits." Says Duncan Pritchard, Director of ETC-Africa

National Treasury also announced an increase in the vehicle CO<sub>2</sub> emissions tax from "R75 to R90 for every gram of emissions/km above 120 gCO<sub>2</sub>/km and, in the case of double cabs, from R100 to R125 for every gram/km in excess of 175 gCO<sub>2</sub>/km, effective from 1 April 2013."

