

EXCISE

EXTERNAL **POLICY**

ENVIRONMENTAL LEVY ON CARBON DIOXIDE EMISSIONS ON NEW MOTOR VEHICLES MANUFACTURED IN SOUTH AFRICA

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1 SUMMARY OF MAIN POINTS

- a) This **policy** applies to **local manufacturers of new motor vehicles** cleared for home consumption.
- b) This **policy** does not cover:
 - i) **Payment Rules** as this is dealt with in document **GEN-PAYM-01-G01**;
 - i) Declaration and Return submission via e-Filing as this is dealt with in document **SE-ACC-02-M02**;
 - ii) Submission of **Accounts / Returns** as this is dealt with in document **SE-ACC-05**;
 - iii) **Bonds** as this is dealt with in document **SE-BON-02**;
 - iv) **Licensing and Registration requirements** as these are dealt with in document **SE-LR-02**;
 - v) **Prescribed payment Terms / Periods** as these are dealt with in document **SE-PAY-02**;
 - vi) **The completion of the DA 177 Environmental Levy Account for Carbon Dioxide Emission Levy** as this is dealt with in document **SE-CD-03-M01**;
 - vii) **Refunds** as these are dealt with in document **SE-REF-02**; and
 - viii) **Tariff Determinations as this is dealt with in document SE-TDN-02.**
- c) The Carbon Dioxide (CO₂) emission levy **IS NOT** payable on new motor vehicles manufactured and cleared for home consumption for the purposes mentioned in Part 2 of Schedule 6 i.e.;
 - i) Motor vehicles principally designed for the transport of physically disabled persons, adapted or to be adapted to be used for the transport of physically disabled persons;
 - ii) Motor cars and other motor vehicles, principally designed for the transport of persons, adapted or to be adapted to be driven solely by a physically disabled person; and
 - iii) Excisable goods (a new motor vehicle to which the environmental levy applies) cleared for use by the President, diplomatic and other foreign representatives.

2 POLICY

2.1 Liability for levy

- a) An environmental levy is payable on certain locally manufactured motor vehicles which are manufactured in a Special Ad Valorem Manufacturing Warehouse (VS) **as specified in items 151.01 and 151.02 in Schedule 1 Part 3D.**
- b) The environmental levy is assessed and collected on the principles of "Duty at Source" (DAS).

2.2 Keeping of records

- a) Section 101 read with Rule 101.01 requires that licensees keep within South Africa (**SA**), the books, accounts and documents relating to their transactions as the Controller / Branch Manager may require.
- b) The licensees records must be:
 - i) Accurate and kept up to date;
 - ii) Completed in ink;
 - iii) Readily available to **the South African Revenue Service (SARS)**;
 - iv) Kept for at least five (5) years from the date of manufacturing and sale; and
 - v) Be available for inspection at all reasonable times.
- c) Licensees must keep **the prescribed** test reports, which must be made available for inspection purposes. The licensee must produce or submit, at the request of an **Auditor Excise (AE), Functional Specialist (FS) or Operations Specialist (OS)**, such test report within a five (5) year period starting from the date of manufacture of such Environmental levy goods.
- d) If it is not possible to keep the original report, the manufacturer must keep an original certified copy of such report for inspection purposes.

2.3 Penalties

- a) Failure to adhere to the provisions of the Act, as set out in this document, is considered an offence.
- b) Offences may render the client liable to the following, as provided for in the Act:
 - i) Monetary penalties;
 - ii) Criminal prosecution; and / or
 - iii) Suspension or cancellation of registration and / or license.

2.4 Appeal against decisions

- a) In cases where clients are not satisfied with any decision taken in terms of the Customs and Excise Act, they have a right of appeal to the relevant appeal committee. The policy in this regard, as well as the process to be followed, is contained in document SC-CC-24.
- b) Should clients be unhappy with a decision of any appeal committee, their recourse will be to lodge an application for Alternative Dispute Resolution (ADR) with the relevant appeal committee. The appeal committee will add its comments thereto and forward the application to the ADR Unit for attention. The policy in this regard, as well as the process to be followed is contained in document SC-CC-26.

2.5 Test report

- a) Every manufacturer of a new motor vehicle type, specified in environmental levy items 151.01 and 151.02 of part 3D of Schedule 1, must, in respect of the CO₂ emissions of such a vehicle type, obtain a test report from a testing laboratory.
- b) The relevant laboratory must be recognised by the National Regulator for Compulsory Specifications (NRCS).

2.6 Assessment of the levy on CO₂ emissions

2.6.1 Measure of levy quantity

- a) The levy on CO₂ emissions will be assessed only on the vehicle type with a CO₂ emissions **level exceeding 120g/km and or 175g/km removed** for home consumption.

2.6.2 Rate of levy on CO₂ emissions

- a) The rate of levy to be used for calculating the CO₂ emissions is the relevant rate of levy in terms of Section D of Part 3 of Schedule 1.

2.6.3 Calculation of the levy on the CO₂ emissions (Test report available)

- a) The levy on the CO₂ emissions is calculated using the following formula:

$\text{CO}_2 \text{ emission (the emissions total which exceeds the 120g/km and or 175g/km whichever applicable)} \times \text{levy rate} = \text{Environmental levy payable}$
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- b) **Example:**

- i) If ten (**10**) passenger units, falling in the 120g/km category, are removed with CO₂ emissions of 150g/km each it means that the emissions level for each unit (120g/km) is exceeded by 30g/km on which the environmental levy must be paid as follows:
 - A) Ten (10) Units x 30g/km.
 - B) = 300g/km x **R110.00** per g/km CO₂ emissions (environmental levy rate whichever is applicable to the specific item).
 - C) = **R 33 000.00** (environmental levy due).

2.6.4 Calculation of levy on the CO₂ emissions (Test report not available)

- a) Where the manufacturer fails to obtain or submit a test report in respect of a new motor vehicle type upon request, the Commissioner must calculate the levy on the CO₂ emissions of such a vehicle type as follows:
- i) If the engine capacity **does not exceed** 3 000 cm³ - CO₂ emissions (g/km) -
 $= 120 + (0.05 \times \text{engine capacity in cm}^3)$
 $= 120 + (0.05 \times 3\,000 \text{ cm}^3)$
 $= 120 + 150$
 $= 270$
Levy payable
 $= (270 - 120\text{g/km}) \times \text{R}110.00$
 $= 150 \times \text{R}110.00$
 $= \text{R }16\,500.00$; and
- ii) If the engine capacity **exceeds** 3000 cm³ - CO₂ emissions (g/km) = 175 + (0.05 × engine capacity in cm³) -
 $= 175 + (0.05 \times 3\,000 \text{ cm}^3)$
 $= 175 + 150$
 $= 325$
Levy payable
 $= (325 - 120\text{g/km}) \times \text{R}110.00$
 $= 205 \times \text{R}110.00$
 $= \text{R }22\,550.00$
- b) Motor vehicles specified in item 151.02 of Part 3D of Schedule 1 - CO₂ emissions (g/km) = 195 + (0.07 × engine capacity in cm³).
- c) The method indicated in (i) and (ii) above should apply depending on the engine capacity.

3 RELATED INFORMATION

3.1 Legislation

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	Customs and Excise Act No. 91 of 1964: Sections 54A – 54D, 101 and 119A Customs and Excise Rules: 54FB.01 – 54FB.05, 101.01, 119A.R101A(10)(b) , 119A.R101A(10)(d) and 119A.R101A(10)(f) Customs and Excise Tariff: Schedule 1 Parts 1, 3D and Schedule 6 Parts 2 and 4
Other Legislation:	Standards Act No. 29 of 1993: Section 22(1)(a)(ii) National Regulator for Compulsory Specification Act No.5 of 2008: Section 35(4)
International Instruments:	None

3.2 Cross References

DOCUMENT #	DOCUMENT TITLE
FIN-AM-03	Excise eAccount on eFiling – External User Manual
GEN-PAYM-01-G01	Payment Rules - External Guide
SC-CC-24	Administrative Appeal – External Manual
SC-CC-26	Alternative Dispute Resolution – External Policy
SC-CF-04	Completion of Declarations – Internal and External Manual
SE-ACC-02-M02	Declaration and Return Submission via e-Filing – External Guide
SE-ACC-05	Submission of Accounts / Returns – External Policy
SE-ADV-02	Ad Valorem Excise - External Policy
SE-ADV-05-G01	Vehicles Adapted for persons with Physical Disabilities – External Guide
SE-BON-02	Bonds – External Policy

DOCUMENT #	DOCUMENT TITLE
SE-CD-03-M01	DA 177 Environmental Levy Account for Carbon Dioxide Emission Levy – Completion Manual
SE-LR-02	Licensing and Registration- External Policy
SE-PAY-02	Prescribed Payment Terms / Periods – External Policy
SE-REF-02	Refunds - External Policy
SE-TDN-02	Tariff Determination – External Policy

3.3 Quality Records

Number	Title
EXD 01	Excise Duty and Levy return
DA 177	Environmental Levy Account for Carbon Dioxide Emission Levy

4 DEFINITIONS AND ACRONYMS

Account	In relation to the document required to be submitted in respect of the payment of duty in terms of any provision of the Act and any other rule, must be regarded as a return.
Ad Valorem	It is a Latin term meaning: “on the value”
Controller / Branch Manager	The officer designated by the Commissioner to be the Controller / Branch Manager of Customs and Excise in respect of that area or matter and includes officers acting under the control or direction of any officer so designated by the Commissioner.
DAS	Duty At Source – Assessment of duty and levies at the time when fuel and other excisable products except wine is removed from the manufacturing warehouse.
eFiling	The South African Revenue Service (SARS) eFiling is a free, online process for the submission of returns and declarations and other related services. This free service allows taxpayers, tax practitioners, businesses to register free of charge and submit returns and declarations, make payments and perform a number of other interactions with SARS in a secure online environment.
Environmental levy on Carbon Dioxide (CO₂) Emissions of Motor Vehicles	The environmental levy imposed in terms of items 151.01 or 151.02 of Part 3D of Schedule No. 1 and the Notes thereto.
Excisable Goods	Any goods specified in Schedule 1 Part 2, imported into or manufactured in SA.
Manufacturing	<p>a) In the discretion of the Commissioner, any process –</p> <ul style="list-style-type: none"> i) in the manufacture or assembly of any excisable goods, environmental levy goods, fuel levy goods or Road Accident Fund (RAF) levy goods; ii) in the conversion of any goods into excisable goods, environmental levy goods, fuel levy goods or RAF levy goods; iii) whereby the dutiable quantity or value of any imported goods specified in Section B of Part 2 of Schedule 1, Excisable goods, environmental levy goods, fuel levy goods or RAF levy goods is increased in any manner; iv) in the recovery of excisable goods, environmental levy goods, fuel levy goods or RAF levy goods from Excisable goods or any other goods; v) In the packing or measuring off of any imported goods specified in Section B of Part 2 of Schedule 1, Excisable goods, environmental levy goods or RAF levy goods, or vi) in the generation of electricity liable to environmental levy; or <p>b) Any process as may be prescribed in any Part of Schedule 1 wherein such duty or levy is specified; or</p> <p>c) Any other process in respect of goods contemplated in paragraph (a) that the Commissioner may prescribe by rule.</p>
New motor vehicle	A new motor vehicle to which the environmental levy applies.
NRCS	National Regulator for Compulsory Specifications

Policy	Used to convey the standards mandated by legislation and the sequential steps to be followed.
Road Accident Fund (RAF)	A state insurer established by statute. It provides insurance cover to all drivers of a motor vehicle in SA in respect of liability incurred or damage caused because of a traffic collision. Liability incurred in relation to property damage (such as damage to vehicles, building and vehicle contents) is excluded from cover. The RAF operates a system whereby the claimant is assigned a percentage of responsibility for the accident, and the RAF pays the claimant a percentage of a full settlement based on a percentage that was not deemed their responsibility. Insurance premiums are collected by the RAF through a levy on motor vehicle fuel.
Schedule 1 Part 1	Ordinary Customs Duty
Schedule 1 Part 3D	Environmental levy of carbon dioxide (CO ₂) emission of motor vehicles.
Schedule 6	Rebates and Refunds of Excise Duties, Fuel Levy, Road Accident Fund Levy, Environmental Levy and Health Promotion Levy.
Tariff	Harmonised Nomenclature System
Tax practitioner	Any agent provided for in the Act for any person referred to in the definition of a Taxpayer in paragraphs (i) to (iii) indicated below.
Taxpayer	<p>a) Includes:</p> <ul style="list-style-type: none"> i) The licensee of a customs and excise warehouse; ii) A registered aircraft operator or an aircraft operator who is liable to register; iii) Except for the purpose of Rule 119A.R101A(10)(b), a person who must effect payments by using e-Filing as contemplated in rule 119A.R101A(10)(f); or iv) A registered person who is required to submit a return in terms of the Diamond Export Levy (Administration) Act. No. 14 of 2007
VS	Special Ad Valorem Manufacturing Warehouse

5 DOCUMENT MANAGEMENT

Policy Owner	Executive: Excise Audit Enforcement
Detail of change from previous revision	<p>The policy has been reviewed and updated / amended due to:</p> <ul style="list-style-type: none"> • The Complete review to the content; • The updating of the Legislation and Cross References; • The updating of the Definitions and Acronyms; • Standard changed to Policy; • Business owner changed; • Document Q-code changed from SE-EL-06 to SE-CD-02; and • Template Q-code changed from ECS-TM-03 to GC-TM-03.
Template number and revision	GC-TM-03 - Rev 8