

28 November 2025

**To: The National Treasury**  
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**The South African Revenue Service**  
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**Via email:**                      **National Treasury** ([2026AnnexCProp@treasury.gov.za](mailto:2026AnnexCProp@treasury.gov.za)); and  
                                         **SARS** ([2026LegislationComments@sars.gov.za](mailto:2026LegislationComments@sars.gov.za))

**RE: ANNEXURE C PROPOSALS: ENVIRONMENTAL TAX TECHNICAL WORK GROUP**

We attach the Annexure C proposals from the SAIT Environmental Tax Technical Work Group (the WG), as it pertains to technical proposals for possible inclusion in Annexure C of the 2026 Budget Review.

We value the opportunity to participate in the legislative process and would welcome further engagement where appropriate. Please do not hesitate to contact us should you need further information.

Yours sincerely

**SAIT Environmental Tax Technical Work Group**

**Disclaimer**

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**Unless otherwise indicated, all references to sections are to sections of the Carbon Tax Act, No. 15 of 2019 (the Carbon Tax Act)**

## **1. CARBON TAX RECYCLING**

### **1.1. Background**

- 1.1.1. Carbon pricing alone is insufficient to achieve the necessary scale and speed of decarbonisation required to meet national climate commitments while maintaining competitiveness. Currently, the carbon tax primarily acts as a fiscal instrument, imposing a financial burden without offering an incentivised, direct reinvestment pathway into transition projects. This approach risks hindering industrial transformation, increasing vulnerability to international carbon border measures, and weakening South Africa's ability to attract green investment. However, international experience shows that ring-fenced, transparent recycling of carbon tax revenues can accelerate decarbonisation and strengthen industries.

### **1.2. Issue**

- 1.2.1. The development and operationalisation of new technological pathways to reduce carbon emissions in hard-to-abate sectors must be financed through private investment. The required investment spectrum ranges from scaling up reasonably mature technologies, like renewable energy, to exploring uncertain transition pathways involving multiple candidate technologies that have yet to reach commercial maturity.
- 1.2.2. In these sectors, large industrial players must invest across this spectrum over multi-year cycles, which can span half a decade or longer. Committed, multi-year funding across various spending categories is essential to maintain long-term investment certainty, most of which is not fully covered by the available tax incentives

### **1.3. Proposal**

- 1.3.1. A Carbon Tax Recycling mechanism enables companies to retain and redirect future carbon tax payments into energy transition projects through a dedicated, self-funded incentive. This mechanism is crucial for balancing climate ambition and economic sustainability while preserving the 'polluter pays' principle embedded in the carbon tax.
- 1.3.2. Making transition investments deductible from carbon tax through such a credit would simplify administration, offer the flexibility needed to invest across the technology spectrum, and ensure transparency through structured validation, independent audits, and regular reporting to the South African Revenue Service (SARS). A carbon tax recycling credit would provide direct policy support to reduce carbon intensity while generating sustainable income.

## **2. ANNUAL LICENSE AND REGISTRATION RENEWAL**

### **2.1. Background**

- 2.1.1. Carbon tax in South Africa is considered as an environmental levy under the Customs and Excise Act, 1964 (CEA). Rule 54FD.02 requires carbon taxpayers (or licensees) operating emissions-generating facilities equal to or above the legislated carbon tax threshold to submit an application to SARS to obtain a *consolidated license* for each of its emissions facilities as its *customs and excise manufacturing warehouse* for the generation of emissions liable to carbon tax under the Carbon Tax Act.

- 2.1.2. Upon registration, carbon taxpayers are required to complete and submit the following list of documents:
- SARS form DA185 application;
  - SARS form DA185.4B2 annexure;
  - Signed resolution or cover letter on company letterhead requesting approval in respect of the license registration or renewal;
  - Supporting documents in relation to the carbon taxpayer comprising,
- 2.1.3. A certified copy of the registration certificate for the entity:
- Board resolution for the appointment of the public officer of the entity;
  - Certified copies of identity documents for individuals responsible for the management or control of the entity (e.g. trustees or board of directors);
  - Confirmation of the taxpayers existing tax registration numbers;
  - Confirmation of the South African bank account of the entity;
  - Confirmation of the physical address of the entity; and
  - A power of attorney granting authority for the person submitting the application on behalf of the entity.
- 2.1.4. Under the CEA, licences are valid until 31 December of each year and an application for renewal must be submitted to SARS 30 days prior to expiry (*by 30 November each year*) in order to avoid any penalties and interest for late submission. As part of the license application, license holders are required to submit any changes in particulars to their profiles that is currently registered with SARS.
- 2.1.5. Renewal license applications are completed on SARS DA185 and DA185.4B2 forms and manually submitted to SARS. Where there has been *no changes* to the taxpayer or licensee registration details, then certain supporting documentation is not required to be re-submitted.
- 2.1.6. Renewal license applications are to be accompanied by supporting documentation and submitted in person at the SARS Excise Registration and Licensing Hub at the Alberton branch whereby the manual paper-based documents are to be handed in to a Customs & Excise Document Inspector. The SARS official would confirm receipt in writing and issue the taxpayer with the relevant approved paper-based license for the renewal period. There is no license fee payable to SARS in respect of this license renewal application process.
- 2.2. Legal nature of the problem**
- 2.2.1. Environmental levies were introduced to address government's objectives to preserve the environment, reduce pollution and to give effect to certain international treaties on climate change and pollution. Chapter VA of the CEA read with its related Rules is dedicated to the administration of the environmental levies, including the Carbon Tax Act.
- 2.2.2. Annual submission of paper-based license renewal applications require carbon taxpayers to physically print-out manual applications accompanied by supporting documentation and driving to the SARS branch. Both of these actions are harmful to the environment and act against the objectives set-out by government in preserving the environment.
- 2.2.3. Furthermore, the annual license renewal process places a significant

administrative burden on carbon taxpayers and SARS that needs to administer the process where there has been absolutely *no changes* in the carbon taxpayer's particulars.

### **2.3. Proposal**

- 2.3.1. Similar to the administration of all other tax types, we recommend that consideration is given that where there has been *no changes* in any particulars of the carbon taxpayer (or registered licensee), to completely *remove* the requirement for annual re-registration or annual licensing renewal on the basis that all existing particulars remain as is currently registered with SARS. There is *no license fee payable* to SARS in respect of carbon tax manufacturing warehouses and as such the removal of this administrative action will not result in any loss to the fiscus.
- 2.3.2. This would reduce the overbearing compliance burden placed on carbon taxpayers to submit annual licenses and the associated administrative costs for SARS officials in capturing renewed license applications for taxpayers who had *no changes* to their previously submitted particulars.

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