

# Theoretical tax example

**Examples are based upon current understanding  
of tax design as provided in draft carbon tax bill  
and is subject to change**

# Actual tax rate is very different from headline rate

		Year 1	Year 2
Emissions - Tons CO2e		100	99
Headline tax rate - Rand		120	120
Standard rebate	60%	-60	-59.4
Taxable emissions		40	39.6
Tax		<u>4 800</u>	<u>4 752</u>
Effective tax rate per ton	Rand	48	48
Tax saved			48

The switch to fixed thresholds in 2020 may create some challenge

# Not all emissions are equal

		Combustion emissions	Fugitive emissions	Process emissions
Emissions - Tons CO2e		100	100	100
Tax rate per ton		120	120	120
Standard rebate	60%	-72	-72	
Standard rebate	70%			-84
Fugitive emissions allowance	10%		-12	
Tax per ton		48	36	36
Tax per emission type	Rand	<u>4 800</u>	<u>3 600</u>	<u>3 600</u>
Total tax liability				12 000
Average rand per ton				40

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# Some companies may have all three types of emissions...

		Combustion emissions	Fugitive emissions	Process emissions
Emissions - Tons CO2e		100	100	100
Tax rate per ton		120	120	120
Standard rebate	60%	-72	-72	
Standard rebate	70%			-84
Fugitive emissions allowance	10%		-12	
Trade exposure allowance	10%	-12	-12	-12
Carbon budget allowance	5%	-6	-6	-6
Performance allowance	5%	-6	-6	-6
Offset allowance	10%			
Offset allowance	5%	-6	-6	-6
Tax per ton		18	6	6
Tax per emission type	Rand	<u>1 800</u>	<u>600</u>	<u>600</u>
Total tax liability				3 000
Average rand per ton				10

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# Others may have just one

		Combustion emissions	Fugitive emissions	Process emissions
Emissions - Tons CO2e		100	100	100
Tax rate per ton		120	120	120
Standard rebate	60%	-72	-72	
Standard rebate	70%			-84
Fugitive emissions allowance	10%		-12	
Trade exposure allowance	10%	-12	-12	-12
Carbon budget allowance	5%	-6	-6	-6
Performance allowance	5%	-6	-6	-6
Offset allowance	10%	-12		
Offset allowance	5%	0	-6	-6
Tax per ton		12	6	6
Total tax liability	Rand	<u>1 200</u>	<u>600</u>	<u>600</u>

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# The performance allowance creates interesting opportunity

	Year 1	Year 2	Year 2	Year 2
	Unmitigated	Mitigated	Increase production	Increased production & emissions
Emissions	100	99	100	101
Production	100	100	101	102
Emissions factor(B)	1.00	0.99	0.99	0.99
Benchmark(A)	1	1	1	1
Z	-	1.01	1.00	0.99
Tax liability (assuming 60% rebate)	4800	4632	4680	4728
Value of 1 ton emissions reduction		168		
Low carbon production subsidy			120	72

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