

**Vehicle emissions tax – double cabs and small bakkies**

<b>A Main &amp; sub-category</b>	Tax and VAT – vehicle emissions tax – double cabs and small bakkies
<b>B Nutshell</b>	Double cabs and small bakkies will be also be subject to CO <sub>2</sub> emissions tax that is to be imposed by National Treasury and SARS on passenger vehicles from 1 September 2010.
<b>C Affected areas</b>	Vehicle Finance; Fleet management; Environmental
<b>D Regulatory source</b>	National Treasury press release of 3 August 2010

**E Executive Summary**

- 1) **Background**
  - a) In the 2009 Budget, the Minister of Finance announced a reform of the *ad valorem* excise duty on motor vehicles (both motor cars and light commercial vehicles) to include a CO<sub>2</sub> emissions component. This was in line with an earlier proposal by the then Department of Minerals and Energy (in 2004) to encourage the use of more fuel efficient vehicles through the taxation of tax 'gas guzzlers', meaning vehicles with a high engine capacity such as double cabs / 4x4s which are not fuel efficient. Research also indicated close correlations between vehicle engine size, fuel efficiency, and CO<sub>2</sub> emissions. It is in this context that the 2009 Budget proposal to tax vehicle CO<sub>2</sub> emissions was framed.
  - b) After consultation with the National Association of Automobile Manufacturers of South Africa (NAAMSA), it was agreed that the implementation of the proposed vehicle CO<sub>2</sub> emissions tax would be delayed and reformed into a specific tax. This amendment was announced in the 2010 Budget, to take effect on 1 September 2010.
  - c) The industry also requested that the tax be limited to passenger vehicles because there was no data on CO<sub>2</sub> emissions by light commercial vehicles, which is why the 2010 Budget Review only refers to passenger vehicles.
  - d) According to National Treasury, it was always the intention that the definition of passenger vehicles would include double cabs and by inference small bakkies because these are often used as passenger vehicles.
- 2) **Motor industry comments**

The motor industry has objected to the inclusion of double cabs and small bakkies as passenger vehicles in the proposed vehicle CO<sub>2</sub> emissions tax net. The industry argues that these vehicles are classified as light commercial vehicles which should be excluded from the CO<sub>2</sub> vehicle emissions tax. In addition, the industry says that emissions data for light commercial vehicles are not available.
- 3) **National Treasury Response**
  - a) National Treasury has always intended to include double cab vehicles in the first phase of the implementation of the CO<sub>2</sub> vehicle emissions tax. This is in line with the intent of the VAT Act and the fact that double cabs are mainly used as passenger vehicles.
  - b) Including double cabs in the CO<sub>2</sub> vehicle emissions tax net is also in line with the original intent of this proposed tax: the taxation high engine capacity vehicles to discourage the use of vehicles that are not fuel efficient and encourage the shift to the more fuel efficient ones.
  - c) In addition, the National Regulator for Compulsory Specifications, a subsidiary of the South African Bureau of Standards (SABS), has also confirmed that data on CO<sub>2</sub> emissions expressed as g/km is available for all vehicles.
  - d) It is also possible to calculate a vehicle's CO<sub>2</sub> emissions based on its engine size. Since most small single cab bakkies and their double cab equivalents have similar engine sizes, these two categories of vehicles should be treated the same for the purpose of the vehicle CO<sub>2</sub> emissions tax. Against this background, the request by the industry to exclude double cabs and small bakkies from the vehicle CO<sub>2</sub> emissions tax can therefore not be accepted.
- 4) **Tax administration**
  - a) The CO<sub>2</sub> vehicle emissions tax will be collected and paid over to the South African Revenue Services by the vehicle manufactures and /or importers.
  - b) A part (or all) of the CO<sub>2</sub> vehicle emissions tax is thus likely to be built into the price manufacturers or importers charge their clients.
  - c) It will be good practice if dealers could reflect on the invoices to their clients the CO<sub>2</sub> emissions of each vehicle and the estimated total CO<sub>2</sub> emissions tax.

<b>F Suggestion / comment</b>	Consider the impact of the inclusion of double cabs and small bakkies as passenger vehicles in the proposed vehicle CO <sub>2</sub> emissions tax net.
<b>G Effective dates</b>	1 September 2010
<b>H Regulatory body</b>	National Treasury