



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

---

## **Press Release: CO<sub>2</sub> Vehicle Emissions Tax and Inclusion of Double Cabs and Small Bakkies**

---

### **Background**

The South African government has made clear its intention to introduce environmental taxes and incentives to ensure that our economic growth is directed towards a more sustainable path. 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.

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 2010 Budget, to take effect on 1 September 2010. 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.

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. The one legal hurdle was that the harmonized code of classification in terms of the Customs and Excise Act, under whose umbrella the CO<sub>2</sub> emissions tax is being implemented, defines double cabs (4X4) and some smaller bakkies as light commercial vehicles. The VAT Act partially addresses this problem by defining a passenger vehicle as including:

*“a motor car, station wagon, minibus, double cab light delivery vehicle and any other motor vehicle of a kind normally used on public roads, which has three or more wheels and is constructed or converted wholly or mainly for the carriage of passengers, ...”.*

Since it was not possible to use VAT definition of a passenger car for the purpose of implementing CO<sub>2</sub> emissions tax under the umbrella of the Customs and Excise Act, National Treasury decided to include in the definition of a passenger car all categories of light

commercial vehicles, as defined in the harmonised code of classification, but excluding light trucks.

### **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.

### **Response**

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. 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 are not fuel efficient and encourage the shift to the more fuel efficient ones.

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. 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.

### **Tax Administration**

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. A part (or all) of the CO<sub>2</sub> vehicle emissions tax is thus likely to be built into the price the manufacturer or importer charges their clients. 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.

**Issued by: National Treasury**

**Date: 3 August 2010**