

Tax alert

Electricity levy.



The introduction of an electricity levy on the sale of electricity generated from non-renewable sources was proposed in the 2008 Budget Review.

Government's proposal was aimed at serving a dual purpose of:

- helping to manage the current electricity supply shortages, and
- protecting the environment over the longer term, as coal-based electricity generation accounts for a significant share of carbon dioxide emissions, contributing to global warming.

SARS recently published draft legislation regarding the imposition of **environmental levy on electricity** for comment.

It is proposed that environmental levy will, with effect from 1 October 2008, be imposed on electricity generated in South Africa, at a rate of 2c/kW.h. Electricity generated under the following circumstances will not be subject to the environmental levy -

- electricity generated by electricity generation plants with an installed capacity not exceeding 5 megawatts,
- electricity generated from renewable sources (i.e. biogas, biomass, geothermal, solar, water, or wind), and
- electricity generated from co-generation (i.e. the generation of electricity from steam, heat or other forms of energy produced as a by-product from another process), whether or not from non-renewable sources (which includes coal, petroleum based liquid fuels, natural gas or uranium).

Every person who generates electricity liable to environmental levy will have to license his or her electricity generation plant as a customs and excise manufacturing warehouse.

The licensed electricity producer will have to submit accounts, together with the prescribed supporting documents and pay the environmental levy in respect of electricity generated during each month. The documents and payment will have to be submitted by the licensee to reach the Controller within 30 days after the last day of the accounting period (i.e. every month during which electricity is generated).

Electricity generated at an electricity generation plant will be liable to environmental levy calculated on the quantity generated. Any losses incurred subsequent to the electricity generation process, electricity exported from South Africa or appropriated for own use will not be allowed to be deducted or set off from the total quantity of electricity accounted for on the monthly environmental levy account.

Every person who will not be required to licence his or her generation plant and who generates electricity from non-renewable resources in an electricity generation plant with an installed capacity exceeding 3 megawatts, but not exceeding 5 megawatts, will have to register as an electricity producer. No levy will be due for electricity generated under these circumstances.

The process to register a customs and excise manufacturing warehouse takes time and also requires financial guarantees to be lodged. This process should thus be commenced as soon as possible.

Contact us if you require further information or any assistance with regard to the environmental levy on electricity.

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