Consultation on Carbon Border Adjustment Mechanism (CABM)

Background

CABM is part of the UK’s carbon reduction strategy. It is a tax on imports, based on their carbon emissions, to ensure UK producers who have taken steps to reduce carbon do not face unfair competition. Other countries have announced CABM’s including the EU and Australia.

The CABM is targeted to address the most carbon intensive products, including cement, ceramics and glass. Much of the products in scope are likely to be used in your UK supply chains but some will apply to finished products you are importing directly. The new taxes will apply from January 2027.

This consultation has been announced by HM Treasury and you can read the full consultation copy [here](https://www.gov.uk/government/consultations/consultation-on-the-introduction-of-a-uk-carbon-border-adjustment-mechanism) . Of particular relevance is Annex A of the consultation which has the full commodity codes for products in scope. This is an extremely complex consultation, and we do not have the expertise to be able to answer specific questions on the calculation of the tax, so I have posed more generic questions which will help us make a submissions on the impact in your supply chains and for your consumers. Please send all responses by **3rd June 2024** to allow time for me to collate comments and submit our final response to Government.

Scope of CBAM

The tax targets carbon intensive products by focusing on seven sectors; aluminium, ceramics, cement, fertilisers, glass, iron and steel and hydrogen. To help importers determine coverage, Government has produced an initial list of commodity codes (Annex A of the consultation). The codes cover inputs to UK supply chains, but also finished goods such as glass jars, ceramic sinks and tiles.

The Government has tried to target those products which are produced here to reduce competition for domestic businesses. It has also tried to align the scheme with the EU one to ensure consistency and reduce duplication.

**Q. What is your assessment of the Scope of CBAM, reflecting on the commodity codes in Annex A?**

**Q. Does the Annex A list give sufficient certainty on what is covered by CBAM?**

**Q. Thinking of Annex A are there any omissions or commodity codes listed where there is not significant UK production?**

Calculation of CBAM

Payment is calculated by multiplying the embedded emissions by the rate set by the Government. Businesses will be able to produce their own embedded emissions calculation, if verified independently or can apply the Government’s default calculation. Each of the 7 sectors in scope will have its own rate. The rates will be reviewed and adjusted to take account of carbon measures affecting UK businesses.

Where importers are bringing in products from other countries subject to a similar tax, for example, the EU, that can be deducted from the UK CBAM. The Government is trying to align its scheme with the EU to reduce administrative and tax burdens.

The system proposed is self assessment, which means importers will need to submit relevant information on embedded emissions to justify payment.

**Q. Do you anticipate problems for your importers and UK supply chains in obtaining data of emissions to calculate their tax returns?**

Payment of CBAM

The tax is due when products are released onto the UK market. This means products in customs facilities only pay the tax once they are released. It is possible to reclaim the tax if the good is subsequently re-exported from the UK.

The business liable is the importer, or their agent, who will calculate the amount of tax and submit through regular self-assessment. They will be expected to register for the tax with HMRC, although there is a de minimus threshold exempting very small importers.

The Government has modelled the payment approach on that for other indirect taxes. Submission of self-assessment will be required after each accountancy period. The first period beginning on 1st January 2027 will be for 12 months, and the first submission will be due by the end of May 2028. From 2028 there will be 4 quarterly accountancy periods, with submissions due within a month of the end of each period (extended until June 2028 in the first one).

Enforcement for late returns and payments, including where self-assessment is challenged and corrected, will be similar to that for VAT.

**Q. Do you have any comments on when the tax is paid?**

**Q. Do you have any comments on the administration of the tax, including the burden for you or your importers and UK suppliers?**