

**UK Operators** of Installations currently participating in the EU Emissions Trading scheme (EU ETS) or with accounts in the Consolidated System of European Registries / Kyoto Protocol National Registry should note that **in the event of a no-deal Brexit** on 31 October 2019, the **Carbon Emissions Tax would start on 4 November 2019**.

HMRC has updated its [Carbon Emissions Tax technical note](#) which should be read in full by Operators and/or their agents. A brief summary is provided below:

- Carbon Emissions Tax would apply from 4th November 2019 following a no-deal Brexit.
- Tax emission allowances for 2019 and 2020 would be based on the allocation of free allowances under Phase III of the EU ETS; emissions above the tax emission allowance would be taxed on a carbon equivalent basis with Operators required to make one payment per installation per year to cover tax due.
- The tax rate for 2019 would be £16 per tonne. The tax rate for 2020 would be announced at Budget 2019. Carbon pricing arrangements after 2020 are to be confirmed.
- Bills would be sent out by HMRC each May (starting in May 2021) setting out tax liability over the previous emissions reporting period (usually Jan-Dec but for the first period this will be 4 Nov 2019 – 31 Dec 2020). Payment would be required within 30 days.
- HMRC will undertake consultation on the finer detail following a no-deal Brexit.

Operators are reminded that:

- Permitted installations would continue to submit an annual report of verified emissions in accordance with the existing Monitoring, Reporting and Verification (MRV) system.
- There would be no requirement to register for the tax or send in a tax return – the information needed would be taken by HMRC from the existing data held by regulators.
- Installation permit holders would be required to submit a single verified emissions report by 31 March 2021 which would include two emission statements covering:
  - i. 4 November 2019 to 31 December 2019; and
  - ii. 1 January 2020 to 31 December 2020.
- An installation experiencing significant in-year capacity variation and/or changes to activities would have to notify these changes to the regulator (as at present) such that HMRC can adjust the tax emission allowance as appropriate.

If you require assistance with review of EU ETS / Carbon tax liabilities or any other ETS related issues, ITPenergised can help. We also have experts in energy efficiency and low & zero carbon on-site generation who can help to minimise your carbon emissions and reduce your CO<sub>2</sub> costs. Please contact us for more information:

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