

Tax Newsletter

EU to introduce Carbon Border Adjustment Mechanism (CBAM) on import of certain goods

The EU Council and the EU Parliament reached a draft agreement on the Carbon Border Adjustment Mechanism (CBAM).

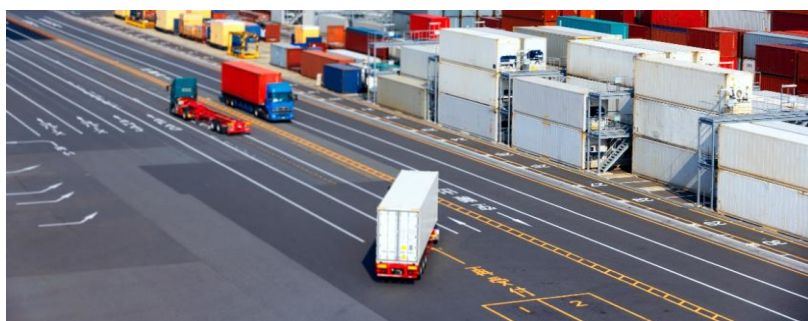
At present the EU's Emissions Trading System (ETS) sets a cap on the amount of greenhouse gas emissions from the production of certain goods. The aim is to stimulate producers to invest in greener production.

The intended CBAM rules would require that importers of carbon-intensive products buy carbon certificates upon the import of such products, so that these are put on equal grounds with the EU products. Practically speaking, the CBAM will be a tax on the importation of carbon-intensive goods.

Transitional period

The initial plan is that between October 2023 and December 2025 (transitional period) a simplified CBAM would require reporting only. The aim is to collect data on the import of the carbon-intensive goods like:

- cement
- iron and steel
- aluminum
- fertilizers
- electricity





During the transitional period the importers will have to report the emissions embedded in the above goods. This information should be provided to the importers by their non-EU suppliers. In case the information on the embedded emissions for a specific product is not available, the importers would have the right to use default values provided by the authorities.

Full scope CBAM

From 1 Jan 2026 it is planned that the CBAM will start having financial impact. Besides the reporting of the embedded carbon emissions, the importers should start buying carbon certificates corresponding to carbon emissions that a local producer would have used if the goods were produced in the EU.

In conclusion – from 1 October 2023 onwards the importers of carbon intensive products should start thinking of methods to collect information on the embedded carbon emissions in the imported products, so that this information can be declared upon import. Note should be taken that from 2026 carbon certificates are likely to be payable upon the import of the commented products which could make them less competitive to EU products.

Contacts:

For a deeper discussion of how these issues might affect your business, please contact our team:



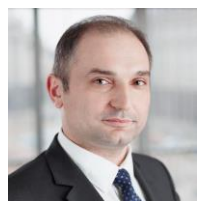
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