



ENVIRONMENTAL LEVY ON TYRES

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1 PURPOSE

- a) The purpose of this document is to establish a comprehensive framework for the Environmental Levy imposed on tyres manufactured in South Africa, ensuring compliance with legislative requirements and promoting environmental responsibility.
- b) It is intended to guide manufacturers in the tyre and motor vehicle industries regarding the application, management, and reporting of the Environmental Levy, clarifying their obligations and the operational processes involved.

2 SCOPE

- a) This document applies to all manufacturers of tyres and motor vehicles in South Africa who are subject to the Environmental Levy in accordance with the Customs and Excise Act No. 91 of 1964, as amended.
- b) It covers the licensing requirements, levy calculation, record-keeping, and submission of returns related to tyres manufactured locally, as well as the processes for rebates and refunds under specified circumstances.
- c) Distributors and other parties involved in the movement or export of tyres may also find relevant guidance within this document.

3 POLICY

3.1 Implementation of the tyre levy

- a) Environmental Levies are legislated in Chapter VA of the Customs and Excise Act No. 91 of 1964 and the Rules thereto. Any provisions of the Act except as otherwise provided in Chapter VA and the rules shall, as may be applicable, apply to any environmental levy goods manufactured in or imported into South Africa.
- b) Environmental Levy is imposed on tyres manufactured in South Africa in terms of item 152.00 in Section E of Part 3 of Schedule 1. Only items 152.01 to 152.03 are applicable for Excise purposes and the levy so specified on such items shall be payable in addition to any duty prescribed in respect of the goods concerned. Refer to Notes 1 and 2 of Schedule No. 1, Part 2, Section E of the Act for specific details of levy applicability.
- c) The tyres, to which the Environmental Levy applies to, must be manufactured in a licensed Customs and Excise Manufacturing Warehouse (VM) and therefore all such manufacturers must apply on a DA 185 to be licensed. Licenses must be renewed on an annual basis.
- d) The manufacturing premises of motor vehicle manufacturers are currently licensed as a special manufacturing warehouse (VS) and will therefore not require additional licensing for tyre levy purposes but will be liable to submit quarterly returns.
- e) The following provisions have also been catered for:
 - i) **Rebate Item 680.04** - A **rebate** provision of full duty on new pneumatic tyres, liable to the levy, moved from the VM to the VS for the use in the manufacturing of motor vehicles.
 - ii) **Rebate Item 680.05** – A **rebate** provision of full duty on new pneumatic tyres, on which an environmental levy has been paid that have been removed from the VS are found to be off-specification or otherwise defective and are returned to the VM.
 - iii) **Rebate Item 681.06** – A **refund** provision in respect of new pneumatic tyres on which an environmental levy has been paid and that are subsequently exported by the distribution centre of a VM to BELN countries.
 - iv) **Rebate item 681.07** – A **refund** provision in respect of goods liable to the environmental levy specified in any item of Part 3 of Schedule 1 which, after entry or deemed entry for home

consumption and payment of duty by the VM/VS as contemplated in the Act and its Rules, are removed by such VM/VS to a consignee outside the Common Customs Union.

- f) All licensees must be registered for eFiling as the submission of the returns and payments can only be made via eFiling. Returns and payments must be submitted as prescribed in the rules in the format and in accordance with the procedures specified in the eFiling service [Rule 119A.R101A(d)]. Other payment methods may only be used if the eFiling service is not available.
- g) If clients cannot access the eFiling service, they must contact the nearest SARS Branch Office (BO) for assistance.

3.2 Liability for levy

- a) A return for the environmental levy on tyres must be completed by the VM and VS on a quarterly basis. The tyre levy rate is a flat rate per Kilogram Net (KN) irrespective of the type or size of the tyre concerned. The **nett** mass of the tyres must be declared as KN [mass net (kg)].
- b) If the nett mass is not available or cannot be determined, the rate of the environmental levy shall, in the case of locally manufactured tyres, be calculated on the design mass of the tyre plus 10% of the design mass (Refer to Definitions and Acronyms). Refer to Note 4 of Schedule No.1, Part 3, Section E of the Act.
- c) The DA 178 environmental levy return of a licensed motor vehicle manufacturer (VS) must be submitted and paid together with its DA 177 environmental levy return and DA 75 Ad Valorem Excise duty account. The submission is done via eFiling using the EXD178 form for Environmental Levy on Tyres.
- d) The environmental levy return EXD178 must be completed and submitted quarterly per calendar quarter. Submission and payment of the levy shall be on or before the 25th day of the month following the quarter to which the account relates. Example: 1 January – 31 March calendar quarter; submission of return and payment of levy on or before 25 April.
- e) The levy will apply to new and/or re-treaded tyres manufactured in South Africa. Re-treaded tyres of a kind used on motor cars (including station wagons and racing cars), and those of a kind used on busses and lorries are excluded from paying the environmental levy.

3.3 Keeping of records

- a) In terms of Rule 54F.06(a)(1), every licensee (VM/VS) must keep proper books, accounts and documents and any data created by means of a computer, of all transactions relating to the activity in respect of which the license is issued.
- b) Production documents, stock records, documents, sales invoices (all removals from a VM/VS to the local market/BLNS countries or exports), dispatch/delivery notes (DN), credit notes issued by the VM/VS for levy paid tyres removed and returned (applicable to local and BLNS returns) must be kept by the licensee for five (5) years from the date of transaction on the document. Credit notes will only be allowed if each consignment is accompanied by a valid delivery note/stock return note from the purchaser.
- c) Records must show how the manufacturing process (VM only) of the **tyres** has been performed from the procurement of the raw material to the finished product ready for sale for home consumption, export or removal or other disposal. The records (where applicable) should amongst others show the following:
 - i) Accounting records of the type of tyres manufactured;
 - ii) The quantity and Kilograms Net (KN) of the tyres, subject to the levy, manufactured;
 - iii) Supporting data and documents to confirm the nett mass or the design mass of the tyres manufactured in South Africa;
 - iv) The sales invoices or dispatch/delivery notes;
 - v) The date that the sale/removal, disposal or other use occurred;
 - vi) To whom the manufactured tyres were sold or disposed of;
 - vii) The number and KN of tyres sold or removed;
 - viii) Details of any set-off per credit note(s);

- ix) Details of any off-specification or defective or returned stock;
 - x) Stock report of manufactured tyres taken into stock on a daily basis;
 - xi) Declaration – Export documents to BLNS countries and countries beyond SACU; and
 - xii) Completed copies of the DA 178 and applicable schedules, and a printed copy of the EXD178 Levy return.
- d) Tyres subject to the levy can be lost through theft, *vis major* occurrences or any other reason. In this instance the following records must be kept:
- i) The date the loss occurred or the date the loss was detected; and/or
 - ii) Where the loss occurred and the circumstances surrounding the incident.

3.4 Penalties

- a) Failure to adhere to the provisions of the Act, as set out in this document, is considered an offence.
- b) Offences may render the client liable to, as provided for in the Act:
 - i) Monetary penalties;
 - ii) Criminal prosecution; and/or
 - iii) Suspension/cancellation of registration/license.

3.5 Appeal against decision

- a) In cases where clients are not satisfied with any decision taken in terms of the Customs and Excise Act they have a right of appeal to the relevant appeal committee. The policy in this regard, as well as the process to be followed, is contained in document SC-CC-24.
- b) Should clients be unhappy with a decision of any appeal committee, their recourse will be to lodge an application for Alternative Dispute Resolution (ADR) with the relevant appeal committee. The committee will add its comments thereto and forward the application to the ADR Unit for attention. The policy in this regard, as well as the process to be followed is contained in document SC-CC-26.
- c) Should clients wish to appeal any decision in terms of Value Added Tax (VAT) penalties, they are directed to the provisions of Section 215 to 220 of the Tax Administration Act No. 28 of 2011 for the percentage-based penalty and Section 224 of the Tax Administration Act No. 28 of 2011 for the understatement penalty. In this regard, please consult the SARS website or nearest SARS Branch Office.

3.6 Assessment of the environmental levy on tyres

- a) Any reference made to tyres in this document includes tyres locally manufactured and/or tyres locally manufactured fitted to motor vehicles (including the tyre fitted to the spare wheel).
- b) The DA 178 and applicable DA 178.01 to DA 178.04 annexures must be completed of which the information must be submitted via the SARS eFiling (EXD 01) [Rule 119A.R101A(10)(d)(a – g)]. The paper copies thereof must be kept for record purposes.

3.6.1 Declaration of tyres,-quantity and levy

- a) Tyre Manufacturer (VM):
 - i) The licensee must declare all stock, production, returns, sales, removals and rebates that took place during the accounting period on the Excise Duty and Levy return (EXD 178) via eFiling as per the information on the DA 178 and applicable annexures;
 - ii) May ONLY supply tyres to the VS (not from the DC, local retailers or depots);
 - iii) Must account for all movements of tyres subject to the levy removed to the local market and the Republic of Botswana, Kingdom of Lesotho, Republic of Namibia and the Kingdom of Eswatini

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(BELN) and foreign countries, as reflected on the dispatch/delivery notes and commercial invoices;

- iv) May not set-off the levy on its quarterly return of tyres returned from the VS;
- v) May not bring tyres, as mentioned in sub-paragraph (iii) above, back into stock, which are returned due to being off-specification or defective;
- vi) May set-off the levy on its quarterly return on tyres received back from local retailers, DC, ~~BLNS~~ BELN and/or foreign countries for any purpose other than reprocessing as contemplated in Rebate Item 681.02 and the notes to Rebate Item 681.03; and
- vii) May not set-off tyres received from the VS due to off-specification or defective as the VS has already set-off the levy on its return.

b) Motor Vehicle Manufacturer (VS):

- i) The licensee must declare all tyres received (DA 178.03) and returned (DA 178.04) that took place during the accounting period on the EXD 178 (eFiling) as per the information on the DA 178 and applicable annexures;
- ii) To account for all sales of tyres, fitted to motor vehicles, subject to the levy to the local authorised dealers, BELN and foreign countries, as reflected on the dispatch/delivery note and/or commercial invoice;
- iii) May set-off the levy on its quarterly return on tyres returned to the VM due to the tyres being off-specification or defective. These tyres may only be returned (using DA 178.04) directly to the VM and not the DC.; and
- iv) May set-off the levy on its quarterly return on tyres, fitted to motor vehicles, received back from local authorised dealers, BELN and foreign countries. If such tyres have not been used (in other words, the particular vehicles have not been driven), the tyres will be regarded as “new” and must therefore be brought back into stock (Rebate Item 681.03) and can be re-used (This means the tyres so returned is undamaged and can be re-used on another vehicle). If such tyres can however not be re-used due to it being having a “used” status such tyres may not be brought back into the VS stock.

3.6.2 Rate of Levy

- a) The rate of levy applicable for the purpose of calculating the environmental levy on tyres is the rate of levy in terms of Schedule 1 Part 3E.
- b) The levy is based on the mass [kilogram net (KN)] of the tyres.
- c) Calculate the relevant levy by multiplying the KN of the tyres sold by the relevant rate of the levy (Environmental levy items 152.01 to 152.03).
- d) If the nett mass is not available or cannot be determined, the rate of the environmental levy shall in the case of locally manufactured tyres be calculated on the design mass of the tyre plus 10% of the design mass.
- e) The licensee may not account for tyres on its quarterly account on tyres removed from a place other than the warehouse itself.
- f) The VM may not remove tyre stock to a VS from any DC and or any other place than the VM on-site stock warehouse

3.6.3 Removal of goods

- a) There are different categories in the removal of tyres from the manufacturing warehouse (VM) and the motor vehicle manufacturing warehouse (VS) which is explained below:
 - i) **From the VM -**
 - A) Assessments on VM removals to the Distribution Centre (DC) or local retailers – In this case the VM must complete tax invoices or despatch/delivery notes as proof of the sale/removal;

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- B) Assessments on VM removals to VS manufacturers - In this case the VM must complete the DA 178 .02 and tax invoices; and/or
- C) Assessments on VM removals to the BLNS or other foreign countries - In this case the VM must complete tax invoices and all relevant Customs export declaration documents.
- ii) **From the VS**
 - A) Assessments on VS removals of tyres to local dealers and trading industries – In this case the VS must complete tax invoices along with despatch/delivery notes and road transport manifests; and/or
 - B) Assessments on VS removals of tyres to the export market – In this case the VS must complete tax invoices and all relevant Customs export declaration documents.
- b) All tax invoices or despatch/delivery notes must be serially or transactional numbered and dated as required by Rule 54F.05.
- c) The licensee may only account for tyres on its quarterly return which was removed from the VM or VS. Tyres removed or being dealt with from a place other than such a warehouse may not be accounted for on the quarterly return.
- d) The VM may not remove tyre stock to the VS from any DC and or any other place than the VM's on-site stock warehouse.

3.6.4 Movement of tyres

- a) Duty paid movements:
 - i) These are removals (sales) to the local market. The levy on the movement of tyres from a manufacturing warehouse (VM/VS) directly to the local market must be paid to the SARS within the prescribed payment period.
 - ii) The levy on tyres must be paid on a quarterly basis after the required information was captured on the eFiling functionality.
- b) Transfer of levy liability movements.
 - i) These are all the movements between the VM and the VS. The liability for the payment of the levy is herewith transferred to the VS. The VM must use the DA 178.02 for this purpose.
- c) Movements to the BELN countries (locally manufactured):
 - i) All movements of tyres, subject to the levy, from South Africa (SA) to the BLNS and foreign countries will be on a duty paid basis.
 - ii) The licensee must produce the following completed documents to the Controller/Branch Manager at the port of exit from SA:
 - D) A duly completed declaration; and
 - E) An invoice.
 - iii) Depending on the mode of transport the licensee must also keep copies of the following documents:
 - A) Road – Road Manifest;
 - B) Sea – Bill of Lading;
 - C) Air – Air Waybill; or
 - D) Rail – Railway Consignment Note.

3.7 Invoices or dispatch/delivery notes

- a) Tyres, classifiable under items 152.01 to 152.03 of Section E of Part 3 to Schedule 1, must be removed from the VM with a valid tax invoice or dispatch/delivery note (DN). The invoice or DN must contain the following information:
 - i) The words 'tax invoice' or 'dispatch/delivery note';
 - ii) Name, physical address and Value Added Tax (VAT) number of the manufacturer;
 - iii) Name and physical address of the purchaser;

- iv) A serial number of the invoice;
 - v) Date of the transaction;
 - vi) Date of removal;
 - vii) Description of the goods [i.e. Pneumatic tyres having a rim size of 35cm (14 inches)];
 - viii) Quantity and KN removed (i.e. 50 x 3000 KN)
 - ix) Price charged for each unit;
 - x) Value of the tyres removed
 - xi) The amount of levy; and
 - xii) The amount of VAT.
- b) Invoice numbers must run in consecutive order.
- c) If an audit or inspection is conducted at the VM/VIS, the content of the invoice/ dispatch/delivery notes must comply with the requirements as described in Rule 54F.05.
- d) In terms of Section 7(3)(a) of the VAT Act goods manufactured in SA which is subject to environmental levy, the VAT must be levied and paid on the value of the goods inclusive of the environmental levy amount. The calculation of the VAT on the invoice is illustrated in the example below:

Example:	
50 Tyres	= R100 000
3000 KN x R2.30	= R 6 900
Sub-Total	= R106 900
VAT @ 15%	= R 6 035
PRICE INCLUSIVE OF VAT @ 15%	= R122 935

3.8 Levy paid returns

3.8.1 Deductions or set-off against returns (Rule 54F.13)

- a) Deduction or set-off against returns may only be made by the VM/VIS on compliance with the relevant conditions and procedures prescribed in each case.
- b) Deductions from levy quantities may be made in respect of –
- i) Goods removed in bond or exported where liability has ceased in terms of the Act;
 - ii) Goods for which any rebate of levy is allowed in terms of any item of Schedule 6 where the licensee has duly complied with the provisions of such item or where such goods have been received by the person entitled to such rebate, as the case may be; and
 - iii) Any set-off so indicated on DA 178 (DA 178.02 or DA 178.04).
- c) Set-off is allowed in respect of goods which have been entered or deemed to have been entered for home consumption where such set-off is authorised in terms of any item of Schedule 6 on compliance with the requirements of such item.
- d) Where tyres, on which the levy has been paid, are returned to the VM for any purpose other than reprocessing as contemplated in item 681.02, the licensee must issue a credit note to the person concerned and must on DA 178 –
- i) Add the goods to stock as returns – VM (Rebate Item 681.03);
 - ii) Deduct the environmental levy, paid or payable on goods returned by such person from the amount payable; and
 - iii) The licensee must keep a copy of the credit note and the delivery/stock return note from the person who returned the goods with the necessary records.

- e) Copies of the credit notes must be kept as proof of such transactions, and it must be filed with the quarterly return.

3.8.2 Movements from BELN Countries

- a) For all returns of locally manufactured tyres (subject to the levy) from these countries, payment of the levy must be made at the place of entry into SA.
- b) Documents used for movements from BELN Countries to SA:
 - i) Declaration;
 - ii) Invoices;
 - iii) Note from the BELN client to indicate that the consignment is being returned to the supplier;
 - iv) Export document from the BELN; and
 - v) Proof of return and payment of such Environmental Levy goods at port of entry.

3.9 Rebates, drawbacks and refunds

- a) Provision has been made for rebates and refunds in Part 4 of Schedule 6 under Section 75(15) for rebates and refunds on tyres (subject to the levy) locally manufactured in SA.
- b) The following provisions are available:
 - i) **Rebates** - Rebate Items 680.01 to 680.05 where applicable;
 - ii) **Refunds** – Rebate Items 681.01 to 681.03 and 681.07 where applicable, can be used to set-off the levy on the return;
 - iii) **Refund** – Rebate Item 681.04 can be used by the third party entity/person to claim a refund in respect of the levy that has been paid on new tyres that were exported, other than exports contemplated in terms of Rebate Items 681.05 (authorised dealer) and 681.06 (distribution centre); and
 - iv) **Refund Items 681.05 and 681.06** must be used by the DC of a VM or an authorised dealer of the VS to claim a refund in respect of the levy that has been paid on tyres that were exported to a BELN country.
- c) **Losses** – Goods proved to have been lost, destroyed or damaged on any single occasion in circumstances of *Vis Major* may be allowed in terms of Rebate Item 680.02 depending on the circumstances. Each individual application, in writing, for such rebate of levy has to be approved by the Commissioner for the SARS. The B/O must be informed by the licensee of such occurrence without delay to assess the situation and approve the loss.

3.10 Acquittals

- a) Acquittal is the process whereby a client ends a specific liability towards the SARS, by complying with a prescribed procedure, entering a prescribed document, paying the relevant levy, etc.
- b) The documents which will be acceptable for acquittal purposes are prescribed in SE-CL-02 – Acquittal of Excisable and Leviable goods.

4 REFERENCES

4.1 Legislation

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	Customs and Excise Act No. 91 of 1964: Sections 20(4), 27, 39, 54A – F, 87, 88, 119A and 120 Customs and Excise Rules: Rules 54F, 119A.R101A(10)(d) Customs and Excise Tariff: Schedule 1Part 3E and Schedule 6 Tax Administration Act No. 28 of 2011: Sections 215 to 220 and 224 Value-Added Tax Act No. 89 of 1991: Section 7(3)(a)
Other Legislation:	None

TYPE OF REFERENCE	REFERENCE
International Instruments:	None

4.2 Cross References

DOCUMENT #	DOCUMENT TITLE
BP-02	Customs and Excise Payments – External Policy
SC-CC-24	Administrative Appeal – External Policy
SC-CC-26	Alternative Dispute Resolution – External Policy
SE-ACC-08	Declaration and Account Submission via eFiling – External Guide
SE-PAY-02	Prescribed Payment Rules – External Policy
SE-ACC-05	Submission of Accounts Returns – External Policy
SE-TL-03	Completion of DA 178 and Annexures – External Guide
SC-CF-19	Licensing and Registration – External Policy
SE-BON-02	Bonds – External Policy
SE-GEN-04-G01	Introduction Excise Duties Levies and Air Passenger Tax – External Guide
SE-REF-02	Refunds – External Policy

4.3 Quality Records

Number	Title
DA 178	Environmental Levy Return for Tyres
DA 178.01	Environmental Levy: Production Sheet
DA 178.02	Environmental Levy: Removal of Tyres (VM)
DA 178.03	Environmental Levy: Receipt of Tyres (VS)
DA 178.04	Environmental Levy: Tyres returned to VM (VS)
EXD 01	Excise Duty and Levy Return

5 DEFINITIONS AND ACRONYMS

Link for centralised definitions and acronyms: [Glossary A-M | South African Revenue Service \(sars.gov.za\)](#)