

Consultation on the introduction of a UK CBAM

techUK's response

About techUK

techUK is the UK's leading technology membership organisation, with more than 1000 members spread across the UK. We are a network that enables our members to learn from each other and grow in a way which contributes to the country.

By working collaboratively with the Government and others, we provide expert guidance and insight for our members and stakeholders about how to prepare for the future, anticipate change and realise the positive potential of technology in a fast-moving world. techUK launched in 2013 to champion the technology sector and prepare and empower the UK for what comes next, delivering a better future for people, society, the economy, and the planet.

Executive summary

A well-designed Carbon Border Adjustment Mechanism (CBAM) has the potential to address carbon leakage, and techUK supports proposals that achieve this goal.

The industry particularly appreciates the government's proposal to set the CBAM threshold at £10,000, as the EU's €150 threshold has unnecessarily included small companies, creating administrative burdens. techUK members suggest implementing a weight threshold for further practicality, enhancing the system's functionality for businesses.

However, although the above diverging approach is positive, there are several concerns regarding the potential lack of compatibility with the EU with regards to calculation methodologies for default values between 2027 and 2030. This lack of alignment will create confusion and unnecessary costs for businesses, potentially acting as a trade barrier. Achieving a single methodology across jurisdictions will be crucial to ensure a level playing field for UK companies.

techUK members are also concerned about the absence of a transitional period as it raises the risk of penalties and sanctions before companies have an opportunity to adapt or fully educate themselves on what is an incredibly complex new tax. Simpler policies have included transition periods, so it is inconsistent not to provide a transition period for industries to adjust accordingly.

It is vital for the UK government to provide clear timelines and legislative plans for companies to prepare before they are required by law to comply, and reforms such as these should give businesses certainty irrespective of external timeline pressures.

One thing techUK members want to highlight is that the government appears to assume that companies will leverage their experience from the EU's transitional period, but for this assumption to hold, a greater level of interoperability between the two regimes would be needed. The proposals also fail to appreciate that the EU CBAM has numerous unresolved issues that might not be fully addressed before the UK CBAM is in place, or that there will be firms encountering CBAM requirements for the first time with the UK CBAM.

More crucially, the necessity of a transition period is because obtaining and exchanging data is a major challenge. Since the UK is no longer part of the EU, there is confusion about whether reports made in the EU could be accepted in the UK and vice versa. Arranging this might not be straightforward due to the diverging aspects between the EU CBAM and UK CBAM, as well as the lack of details on how the returns platform for the UK CBAM will function, but should be the goal.

The above administrative burdens can become trade barriers, hindering innovation. Therefore, it is imperative to address the issues related to timelines and reporting requirements promptly.

There is also a concern that CBAM could lead to higher prices in the tech sector, making digital infrastructure (such as data centres and new telecom networks) more expensive to deliver. This could result in some projects being cancelled or moved offshore. The assumption that a bold new tax will incentivise finding substitutes for in-scope commodities may not hold true, as seen with the Plastic Packaging Tax.

To address the above, we recommend a system that encourages UK businesses to purchase and use zero-carbon or low-carbon goods. This approach would support the UK government's net zero goals and foster the adoption of innovative technologies and solutions.

Moreover, there is insufficient clarity regarding how the revenue generated from CBAM, essentially a new import tax, will be allocated and how it will interface with other evolving policy initiatives aimed at facilitating the UK's decarbonisation efforts. techUK members believe that this revenue should be dedicated solely to net zero initiatives, even if this might not be a traditional practice. Coordination between HM Treasury, HMRC, and other relevant departments like DESNZ and Defra is necessary for coherent policy implementation and effective allocation of resources.

techUK also emphasises the need for international collaboration. As other countries are likely to adopt CBAM, establishing an international body to oversee CBAM would prevent trade distortions. The UK could leverage its leadership within the G7 to promote this initiative, as well as actively participate in the OECD's Inclusive Forum on Carbon Mitigation Approaches (IFCMA) that has conducted extensive work to enhance the effectiveness of emissions reduction initiatives on a global scale.

techUK remains committed to working with the UK government to address the above concerns and ensure the effective implementation and operation of the UK CBAM. With its experience from EU CBAM, the tech sector is also eager to assist in shaping long-term plans.

Answers to consultation questions

Question 1: Do you agree that the list of commodity codes in Annex A an accurate reflection of the policy intent described above? Please provide supporting evidence.

We generally agree with the list of proposed commodity codes. However, to ensure the UK CBAM remains current and effective in addressing the risk of carbon leakage, the UK government should conduct regular reviews. These reviews should consider any revisions to the World Customs Organisation (WCO) Harmonised System (HS) classification (scheduled for 2027), changes to the EU CBAM, and broader technological or scientific developments.

For example, some techUK members highlighted that there may be nuances and alternative applications of certain commodities, such as ammonia. Ammonia has potential use in air conditioning systems used by data centres. This highlights the need for regular revisions and further clarification to ensure comprehensive coverage and understanding of the policy's scope and implications, particularly within the tech industry.

Question 2: Are there any relevant commodity codes omitted or any that should be excluded? Please provide supporting evidence.

N/A

Question 3: Do you have any concerns on the feasibility of any of the commodity codes in Annex A being within scope of the CBAM? Please provide supporting evidence.

N/A

Question 4: Do you agree that scrap aluminium, scrap glass and scrap iron & steel do not pose a carbon leakage risk and should not be within scope of the CBAM? If not, please provide evidence to support your response.

techUK welcomes the approach that scrap metals should not be considered within the CBAM scope. This aligns with the principles of promoting sustainability and reducing carbon emissions via resource efficiency, especially given that achieving net zero targets for companies often relies on efficient recycling of materials. Excluding scrap metals from the CBAM scope supports the right approach towards incentivising recycling practices and achieving environmental sustainability goals without imposing unnecessary burdens or constraints on businesses in the tech industry and beyond.

To ensure fairness and further encourage the use of scrap metals, the government could require businesses to disclose the percentage of scrap metals used in a complex CBAM good and establish a threshold for it to be exempted.

Question 5: Do you agree that the government's definitions of 'direct' and 'indirect' emissions accurately describe the embodied emissions a CBAM ought to place a carbon

price on, in line with those emissions within scope of the UK ETS? If not, please explain why not.

techUK agrees with the definitions proposed by the government as they align with the EU CBAM, ensuring consistency and comparability across major economic zones.

Question 6: Do you foresee any issues with calculating the emissions associated with precursor goods in CBAM goods? Please provide evidence to support your response.

The implementation of the EU CBAM offers potential insights, notably revealing challenges where businesses grappled with understanding the procedures for calculating embedded emissions due to ambiguous guidance. The success of a UK CBAM regime will hinge on the provision of practical, detailed instructions on emission calculation processes.

While there is no immediate indication of specific issues with the proposed calculation method, techUK members are eager to see practical examples or demonstrations of how emissions associated with precursor goods will be quantified within the CBAM framework.

Question 7: Do you foresee any difficulties with the government's proposal to use product level default emissions values calculated in line with global average emissions weighted by the production volumes of the UK's key trading partners? Please outline.

techUK recommends aligning with the EU on the calculation methods for default values. It is important to note that, in 2026, the EU will introduce a new set of default values established on the basis of the average emission intensity of each exporting country, augmented by a proportionately designed mark-up.

As such, there is likely to be a discrepancy when compared to the EU, at least between 2027 and 2030, and this could cause reporting challenges. The tech sector acknowledges the rationale behind the UK government's proposals. However, even if the default values calculation method for 2027-2030 in the UK closely mirrors the EU's approach for 2023-2026, the introduction of a new calculation method by the EU for 2026 will pose a challenge. When the UK CBAM is implemented in 2027, companies will have to navigate two distinct approaches to default values. Although this might prompt more businesses to use actual emissions data (and theoretically, companies in scope of EU CBAM should be prepared for this), the intricate supply chains in the tech sector can sometimes make it necessary to rely on default values, regardless of the jurisdiction.

Considering the above, techUK members suggest that the Government revisits its proposals with regards to default values and aligns calculation methods with the EU as early as possible.

On a more general note, techUK emphasises the critical importance of ensuring the accuracy of default values and regularly revisiting these values to reflect evolving production and emission trends. Furthermore, to ensure transparency, default values should be publicly available on the HMRC website, along with a timeline for their review and updates. Additionally, there should be a dedicated channel on the website for entities in scope (or their appointed agents) to contact HMRC for advice. This commitment to accuracy and transparency is essential for the effective implementation and acceptance of the CBAM framework within the tech industry and across various sectors.

Question 8: Are there alternative approaches to default emissions values the government ought to consider which neither undermine the environmental integrity of the CBAM nor are punitive in nature? If so, please provide detailed evidence.

N/A

Question 9: Do you have views on how a percentage based mark-up (in addition to global average emissions weighted by production volumes of embodied emissions intensities of the UK's key trading partners) could impact the use of default values and actual reported emissions data? Please outline.

Using default values with a percentage-based mark-up should motivate businesses to gather actual embedded emissions data, assuming that the former would result in higher CBAM rates.

Question 10: Do you have any initial views on the considerations and/or aims of a future review into the use and functionality of default values? Please outline.

In anticipation of future mandates requiring businesses to predominantly use actual emissions data in their calculations (as in the case of EU CBAM), we would recommend the government to establish a fair process for cases where importers have made genuine efforts but failed to obtain this data. One approach could involve allowing them to continue using default values in some instances.

Some techUK members have noted that, due to insufficient effort from vendors, resorting to default values may be the only viable option for them to comply with EU CBAM reporting requirements after July 2024. Consequently, they propose that the UK continues to permit the use of default values, even if it results in increased CBAM costs, when obtaining actual emissions data from suppliers is exceptionally challenging. This approach would help relieve the burdens on importers with complex supply chains such as tech firms.

Question 11: Do you foresee any issues with a liable person acquiring and providing to HMRC details of emissions embodied in CBAM goods at the end of the accounting period (should they choose to)? Please outline.

For the tech sector, which has intricate supply chains, obtaining information is generally speaking a challenging task. In the context of CBAM, techUK members have raised specific concerns regarding purchases made by their manufacturing teams through online platforms. These transactions often lack direct relationships with suppliers, complicating data acquisition. The option to use default values will be useful in such cases.

It is also important to acknowledge the significant presence of SMEs in the market which may also feel the impact of UK CBAM. SMEs might inevitably lack the necessary staff and expertise to navigate the new requirements efficiently, both when providing data to larger organisations within the scope of CBAM and when falling within CBAM's purview themselves. Government support and guidance for SMEs will be crucial in addressing these challenges.

Furthermore, liable persons could encounter delays in reporting to HMRC if there is a shortage of accredited verifiers available. techUK encourages the government to work closely with UKAS to prevent such bottlenecks.

Question 12: Do you agree that verification of emissions should be performed by any body accredited by accreditation services which are part of the International Accreditation Forum (IAF), like UKAS in the UK? If not, please explain why not.

techUK agrees with the proposal that verification of emissions should be conducted by bodies who have been accredited by UKAS in the UK. This accreditation process is essential for ensuring the credibility and reliability of emissions data used for the CBAM.

This being said, the UK government must consider the implications of verification processes in the EU post-Brexit. Establishing reciprocal recognition of UK-accredited bodies in the EU is critical to facilitate smooth verification processes and maintain international credibility.

Question 13: Would the market respond adequately to provide for the accreditation of verifiers by accreditation services and the verification of emissions independent verifiers?

It is important to note that accreditation bodies like UKAS can only grant accreditation when conformity with regulatory requirements is demonstrated. As such, to ensure the market's readiness and effective response, the government must clearly define expectations for verifiers, especially regarding competence requirements and calculation methodologies. This should be addressed as early as possible. The availability of clear guidance will enable market participants (including small operators) to understand the necessary criteria and adjust accordingly.

Question 14: Noting that the government is still developing policy in this area, do you have any initial views on the monitoring, reporting and verification (MRV) rules for the UK CBAM? Please outline.

We advise the government to engage in close cooperation with UKAS and the verification bodies within this market to ensure a thorough comprehension of requirements and anticipations. This joint effort will facilitate the market's readiness for the accreditation application procedure.

Question 15: Do you foresee any difficulties in obtaining an accurate weight for CBAM imported goods? If so, please specify the difficulties, why they will arise and any suggestions you might have for dealing with those concerns.

Some techUK members have noted difficulties in obtaining net weights from parcel and express carriers, largely due to the high volume of parcels processed and certain limitations in the declaration process that do not allow for the filtering of CBAM goods.

The UK can prevent the above from happening by enabling a higher level of cooperation between customs and business on the online platform that it intends to create. When declaring goods to customs, companies include both net weight and HS code information. Assuming that the UK CBAM platform will be managed by customs (similar to the EU setup), a practical solution could involve providing companies with a list of declarations containing CBAM goods in a particular quarter. This list would enable companies to complement the

data already available to customs with emission information. Immediate application of thresholds and easy filtering out of non-CBAM goods would enhance both customs' and companies' confidence, ensuring comprehensive oversight without overlooking any crucial details.

Question 16: If a liable person was required to arrive at the weight of the goods themselves, how would they do that? Please explain how CBAM products that you import are weighed. For example, is the weight arrived by means of a calculation or is it physically weighed?

Since companies are obligated to provide weight information for customs declarations, it is unlikely that this responsibility would rest on the liable person.

Question 17: Is there a UK industry standard weight for the CBAM good you import? If so, please give details.

Tonnes and kilograms would be the appropriate weight. However, with a spend threshold of £10,000 (or €150 in the EU), firms may be in and out of scope year to year due to changing commodity values.

Question 18: Do you agree that the CBAM rate calculation set out a fair reflection of the price paid in the production of goods in UK? If not, please explain why not.

techUK members are uncertain about the incorporation of the free allocation adjustment in CBAM rate calculations. This uncertainty stems from the industry's lack of visibility regarding the schedule for phasing out free allowances in the UK, a process slated for 2034 in the EU. In broader terms, as the UK CBAM evolves, it is vital for the government to ensure compatibility with the UK ETS, and vice versa.

Question 19: Does setting a CBAM rate for each sector on a quarterly basis strike the right balance between tracking the UK ETS market price and giving importers certainty for financial planning? If not, please explain why not.

The potential for increased prices in the tech sector due to the UK CBAM raises concerns about the elevated costs of delivering digital infrastructure like data centres and new telecom networks. Consequently, there's a risk of project cancellations or offshore relocation, conflicting with the government's aspirations for digital and green transitions.

By establishing varying UK CBAM liability rates across sectors, the UK government can effectively advance decarbonisation initiatives in specific industries. This approach involves implementing a higher UK CBAM rate for sectors with typically higher emissions and a lower rate for industries that actively contribute to decarbonisation efforts, such as tech.

It would be beneficial for the government to publish the precise methods employed to establish CBAM rates for each sector as soon as possible. This transparency would enhance predictability and certainty for businesses.

Question 20: Are there any other considerations for setting the UK CBAM rate not set out above? Please outline.

Changes in commodity prices should be reflected. Steel prices, for example, have fluctuated widely in price over the last ten years. An alternative way to levy a CBAM could be on total weight volumes as opposed to price, but this would require a significant change in approach that deviates too widely from the EU.

Question 21: Are there explicit carbon pricing policies which do not align with our criteria which should be recognised by the UK? Please outline.

We acknowledge that the UK government has clarified that implicit carbon prices alone will not qualify for a reduction in a business' UK CBAM rate. However, establishing a mechanism to prevent businesses in countries with implicit pricing systems from facing double charges for carbon emissions could be advantageous for maintaining positive trading relationships.

It is important to note that Australia, one of the UK's major trading partners, does not enforce an explicit carbon pricing policy but instead relies on implicit pricing through fuel excise taxes.

Furthermore, the government should consider regional markets when recognising overseas carbon prices. For instance, while California's Cap-and-Trade Program may not fit the exact definition of an explicit carbon pricing policy, it is similar in nature.

Question 22: Are there other recognised forms of evidence which a liable person could provide? Please outline.

N/A

Question 23: Are there additional considerations or processes that might facilitate the provision of information on the overseas carbon price from producer to liable person, including by mutual agreement with other jurisdictions? Please outline.

N/A

Question 24: For operators overseas, do you foresee challenges providing the evidence for importers to comply with the measure? Please outline.

N/A

Question 25: Do you foresee challenges with referencing the overseas carbon price on a quarterly basis? Please outline.

N/A

Question 26: Do you have views on what types of third parties would be appropriate to verify overseas carbon price? Please outline.

If other countries implement their own CBAM systems, it would be essential to establish a supra-national institution to oversee and coordinate these systems. Without such coordination, there is a risk of trade distortions and inconsistencies that could impact international trade relationships.

To address this challenge and promote harmonisation, techUK proposes that the UK take a leadership role within the G7 to advocate for international collaboration on CBAM

frameworks. By initiating discussions and coordination at the G7 level, the UK can encourage alignment and cooperation among major economies to establish common standards and mechanisms for verifying overseas carbon prices.

Question 27: Do you have views on how the government could decrease the burden on the liable person to evidence an overseas carbon price? Please outline.

Creating an online platform that tracks and displays accepted overseas carbon prices under the UK CBAM could significantly reduce the burden on liable persons. This platform should provide detailed information about each recognised overseas carbon price, clearly listing the required documentation suppliers must submit to prove they have paid it. Such a resource would serve as a detailed guide for reporters and would assist UK businesses in making informed procurement choices by clarifying which international carbon prices are acknowledged and highlighting those that do not qualify for reductions in UK CBAM liability.

Question 28: Do you agree that where a CBAM good has been subject to multiple carbon prices, the total carbon price can be offset from the UK CBAM liability? If not, please explain why not.

Yes, techUK agrees with the approach that allows for offsetting the total carbon price from the UK CBAM liability in cases where a CBAM good has been subject to multiple carbon prices. This approach prevents the double-counting of carbon pricing and promotes fairness in international trade, as well as aligns with practices established within the EU.

Question 29: Do you foresee any difficulties with the arrangements for where the tax point arises, including which rates will apply? Please explain where you have any difficulties with the proposed policy.

N/A

Question 30: Do you foresee any risks with our proposal to base the CBAM liability on the CBAM good which is processed into a non-CBAM good before it is released into free circulation? Please explain the risks.

The proposed approach of basing the CBAM liability on goods that are processed into non-CBAM goods before entering free circulation raises concerns within the industry as it could increase the cost of inward processing within the UK. As a result, businesses might be encouraged to import more finished products instead of input materials, or to move their processing activities to countries with less strict carbon pricing regulations. This would enable them to bypass the CBAM costs that would apply if the processing took place in the UK. Subsequently, these finished non-CBAM goods could be brought into the UK without incurring CBAM liability, thus circumventing the mechanism and potentially causing carbon leakage.

More generally, CBAM overlaps with import customs processes, and there is currently a lack of detail on how these will be integrated for special procedures such as inward processing, repairs, or temporary imports. The industry would appreciate further clarification from the government.

Another issue highlighted by techUK members is the desire to transition from a transaction-based to an account-based approach, which would streamline reporting and compliance processes. The current proposal, which calculates liability at the point of entry into free circulation, may not align with modern accounting practices and could introduce unnecessary complexity. techUK members question whether there could be a more efficient and simplified method for calculating CBAM liability. One suggestion is to adopt a system similar to VAT reporting.

Question 31: Do you agree that the proposal for designating the liable person is appropriate or are there likely to be unintended consequences? If you do not agree, please explain your reasons.

In the EU, the responsibility for CBAM liabilities falls on the designated owner of the registration number, and this responsibility cannot be subcontracted. The actual importer is required to make the submission for CBAM.

As long as the proposed designation of the liable person aligns with practical administrative customs processes, techUK supports this approach. It is essential that the designation process integrates smoothly with existing customs procedures to minimise disruption and administrative burden for businesses involved in importing goods subject to CBAM regulations.

Question 32: Do you agree that there should be a minimum threshold below which a person should not be required to register for the CBAM? If not, please explain why not.

techUK agrees with the proposal that there should be a minimum threshold below which a person should not be required to register for the CBAM.

Establishing a minimum threshold ensures that smaller businesses or entities with lower levels of import activity are not unduly burdened with administrative requirements associated with CBAM registration. This approach supports efficiency and avoids disproportionate regulatory burdens on smaller players in the import market.

Question 33: Do you agree that an annual value of £10,000 is an appropriate level at which to set the minimum threshold? If not, please explain where you think it should be set and your reasoning.

The proposed annual value threshold of £10,000 is a positive starting point. Comparatively, the EU's threshold of €150 per transaction, while aligned with standard customs processes, has raised concerns about the inclusion of SMEs and challenges associated with navigating the CBAM platform for small-value transactions. This has led to practical difficulties, such as the need to extend decimal points on the EU platform to accurately record and manage data.

The UK government's approach of setting the threshold at £10,000 is appreciated by techUK members, as it addresses these practical concerns and provides more feasibility for compliance among businesses. However, further clarification from the government is required. For instance, if by the end of the year the threshold is exceeded (it is not possible to forecast volumes for the year ahead), it would be helpful for businesses to know whether they would need to register and retrospectively provide four reports for each quarter. Additionally, it is important to specify whether this value is per customs declaration

(including freight, insurance, etc.) or invoice value, and whether the FX rate is calculated annually or on a daily basis.

In addition to monetary thresholds, techUK proposes establishing an additional threshold based on the weight of imported items, which may be more suitable for the tech industry. Specifically, techUK suggests a threshold of £15 per tonne, translating to approximately 600 - 700 tonnes annually. This weight-based threshold would offer a more tailored and equitable approach for tech businesses, reflecting the specific characteristics and dynamics of the industry.

The industry also seeks an exemption for small business parcels and consumer parcels. A weight limit aligned with standard parcel shipment limits (25kg in the EU) would be reasonable.

We emphasise the importance of regular reviews of both thresholds to ensure ongoing relevance and effectiveness.

Question 34: Do you agree with the tests set out in Figure 15 for assessing whether a person has met the minimum threshold? If not, please explain how you think the threshold should be assessed.

N/A

Question 35: Do you consider the registration and deregistration requirements set out above to be appropriate? If not, please specify why not.

With regards to deregistration, techUK members believe that businesses should be notified of the possibility of deregistration after four consecutive quarterly returns evidencing no importation of UK CBAM goods.

Question 36: Do you foresee any difficulties with the arrangements set out for completing and submitting returns, including the content required on the return? If so, please specify the difficulties and why they would arise.

techUK members would appreciate more detailed guidance on how the submission of returns will function in practice. We support the idea of an online portal with a standard template for CBAM returns, as this approach would promote efficiency and consistency in reporting.

Based on experiences in the EU, where businesses have the option to either upload files or manually input data into a portal, techUK members have found the manual data input option to be better. It would also be beneficial for the UK government to enable suppliers to input their data into the system from the start. The EU is considering this approach after identifying that not doing so causes administrative hurdles.

Businesses would also appreciate a higher level of cooperation between customs and business on the platform. Customs authorities should use it to provide companies with a quarterly list of declarations that include CBAM goods, allowing companies to supplement existing customs data with emission information. Immediate implementation of thresholds and easy filtering of non-CBAM goods would boost confidence for both customs and businesses, ensuring thorough oversight without missing any important details.

Lastly, techUK members would like to see interoperability between the EU and UK platforms as this would streamline reporting processes for companies operating across both jurisdictions and minimise duplicative efforts. However, we recognise the challenges of this arrangement since the UK is no longer part of the EU. As an alternative, aligning data requirements across CBAM returns would be satisfactory.

Question 37: Do you think that allowing 5 months from the end of the first accounting period until returns are due allows sufficient time for a liable person to obtain data about the carbon content of their CBAM goods? If you think a different period should operate, please explain why.

The current timeframe of 5 months from the end of the first accounting period until returns are due will not allow sufficient time for liable persons to obtain data about the carbon content of their CBAM goods.

Given the complexities of tech supply chains, gathering accurate carbon data can be particularly challenging. Therefore, especially for the first reporting period under a new system, techUK strongly believes a longer reporting period would be more practical and beneficial for businesses.

On a more general note, techUK is concerned about the lack of a learning phase for companies to adjust to the CBAM system. More time until returns are due would not only accommodate the challenges of data collection but also provide companies with the necessary time to familiarise themselves with CBAM requirements and establish efficient processes for compliance. The UK government cannot rely on companies' experience from the EU's learning phase if issues within the EU CBAM are continuously being detected and addressed, making the landscape dynamic. Full interoperability between the two at the point of implementation in the UK would be needed for the industry to be comfortable with bypassing a learning phase, and this is unlikely to be the case. Additionally, many companies will be encountering a CBAM for the first time, further complicating the transition.

A longer implementation period will ultimately save the government time and money. Rushed implementations often result in incorrect payments, creating unnecessary costs and time burdens for businesses as they resolve these issues. Additionally, firms facing tight timelines typically incur higher advisory and consultancy fees. Considering the need to fully understand and manage CBAM, a 5-month implementation period could lead to consultancy fees that equal or exceed the actual tax payments due.

Question 38: Do you agree with the proposal to move to quarterly accounting period from 2028 and, if not, why not?

techUK generally supports the proposal to implement quarterly reporting for the UK CBAM. Given that there is no transition period, it could offer benefits in terms of intervention and oversight.

Once the system runs smoothly, it would be beneficial if the UK government synchronised its CBAM reporting deadlines with those of the EU to minimise business disruption and reduce the administrative burden.

On a related note, some techUK members expressed that clarity is needed on whether the quarterly accounting periods will be transaction-based or account-based. This distinction is crucial for understanding the scope and mechanics of accounting requirements, particularly in relation to data collection and aggregation.

Question 39: Do you foresee any difficulties in moving to a system of four fixed accounting periods a year from 2028, with returns/payments generally due a month later? If so, please explain your concerns and any suggestions for dealing with those concerns.

Our members have potential concerns related to the 2028 timeline in the UK, given the current lack of visible transition planning. techUK stresses the importance of clear target dates and legislation timelines to enable companies to prepare adequately. Clarity on the stages and dates of implementation is essential for effective planning and compliance.

Question 40: Do you consider that HMRC's approach to enforcement powers and penalties is appropriate? If not, please specify why.

techUK believes that HMRC should prioritise corrective action as a first step, particularly given the absence of a phased-in approach and the complexity of tech supply chains.

The industry also requires further clarification on enforcement procedures. For example, techUK members are uncertain about how authorities will verify if reporting was completed on time, whether sanctions will apply to non-reporting or also some inconsistencies in reporting, and how overreporting (which leads to overpayment) will be handled. Additionally, guidance on managing disputes concerning shipments that are under or near the CBAM threshold would be beneficial.

Question 41: Do you have any other concerns or suggestions around potential compliance risks? Please outline.

N/A