TradeWatch

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CBAM: EU update on the Carbon Border Adjustment Mechanism

The EU Carbon Border Adjustment Mechanism (CBAM) is now in force. The CBAM currently applies to a wide range of imported products in the categories of cement, iron and steel, aluminum, fertilizers, electricity and hydrogen. In total, it currently covers the importation of goods covered in 749 tariff lines of the EU's Combined Nomenclature (the customs tariff).

CBAM and EU-ETS

The EU CBAM was introduced to establish a fair price for greenhouse gas (GHG) emissions emitted during the manufacture of certain carbon-intensive goods entering the EU. The logic behind the mechanism is to achieve a competitive level playing field in terms of carbon pricing for these goods, as manufacturers established in the EU have to pay for GHG emissions through the purchase of carbon certificates under the EU Emissions Trading System (EU-ETS).

The EU-ETS and EU CBAM systems are not fully congruent, but they aim for similar treatment. This factor will likely serve the European Commission as a key argument in expected discussions about the nature and legality of the measure at the level of the World Trade Organization (WTO).

Preparing for the first CBAM declaration

CBAM came into effect on 1 October 2023. A transitional period applies for the period from October 2023 until the end of 2025.

In December 2023, the European Commission unveiled default values for determining embedded emissions in imported goods, which can be used by the CBAM declarants in the transitional period, if the so-called "actual embedded emissions" information is not yet available.

The first CBAM report was due on 31 January 2024. Notably, during the transitional period, the emission standard values may only be used for the first three reports, i.e., until the submission of the report for the second quarter of 2024 at the end of July 2024. From then, according to the current law, the importers of CBAM goods must have the actual embedded emission information available starting with the CBAM declaration due on 31 October accounting for imports of CBAM products into the EU from 1 July to 30 September 2024.

Many importers are finding it a challenge to acquire, administer and efficiently report the required data.

The CBAM report in its full data set requires 225 data elements, and the number of sub-data sets multiplies with the number of different types of CBAM goods as well as the origin and manufacturing installation where the goods have been last produced.

In the first reporting cycle, most CBAM declarants have actually reported a minimum data set, i.e., the data elements that the CBAM reporting portal (the CBAM transitional registry), validated as a submission-ready report. As soon as all the missing data elements are available (e.g., about the manufacturing installation and the operators of the installations that produce the goods, the details about the production route of the goods), the number of data elements to be entered into the CBAM transitional registry will significantly increase and, therefore, so too will the administrative efforts connected to the process. In many cases, the challenge facing importers will be data availability, data quality and the sheer volume of information.

Technical challenges in registering as a CBAM declarant

In the first CBAM reporting cycle, one challenge facing declarants was that it appeared that the competent authorities were not ready on time. In many EU Member States, the possibility to register and gain access to the CBAM reporting portal was only possible during January 2024 (the month when the report was due). It also seemed that the CBAM reporting declarants (i.e., the individuals acting on their behalf) first need to apply for specific national certificates authenticating the operator and individual preparing and submitting the CBAM reports, which is an extra process that requires some time. Therefore, the European Commission and some national CBAM authorities acknowledged the situation was challenging and they communicated that, depending on the EU Member State involved, the CBAM reporting declarants may request in the CBAM transitional registry up to a 30-day extension to submit their CBAM reports due to technical reasons or, more generously, in some cases, a late submission of the first report will not cause penalties.

When the data was entered into the CBAM report templates, in many cases it showed that the build of the CBAM transitional registry needed more user acceptance testing and system stability before release to the public. A number of error messages and unexpected system behavior caused frustration among users. The European Commission has been working hard to remediate these issues. It can be expected that the submission of subsequent CBAM reports should run more smoothly from a systems perspective.

Identifying the right entity for CBAM obligations

Another challenge for many operators was to identify which legal entities actually need to report the import of goods subject to CBAM. The identification of the relevant entities is best made based on customs import data; however, for most enterprises this information is not available completely and in good quality for all entities. The use of data from an enterprise's own systems (such as ERP systems) often has its limitations, too, given incompleteness or data quality issues (e.g., about the customs classification, origin and weight of goods). Identifying the best quality sources of data on a product or product group-level basis can differ between data sources and can be a mixture of elements, including data from customs, ERP and suppliers. If data in the submitted CBAM reports has not been reported completely or accurately, declarants must provide corrections or supplementary declarations.

Preparing for future reporting

Now the focus of many CBAM declarants is to increase efficiency for future reporting. While filling in data manually was a reasonable option for the first report to learn about the process, declarants may now want to explore the option to create the CBAM data in a structured data file to upload to the CBAM transitional registry. This is especially the case for economic operators that have to declare a large number of items in the CBAM report. Many operators are considering a centralization of the CBAM reporting process for multiple entities across the EU using a dedicated person in the enterprise. Others are looking to outsource the administrative effort and these tasks to external service providers, such as EY member firms, to prepare and submit their CBAM reports.

Engaging with suppliers

At the same time, importers must contact their suppliers of CBAM goods to request details about the actual embedded emissions and the details of the operator and manufacturing installation. Practice suggests that efforts to engage with suppliers (e.g., by way of detailed explanations or instructions to suppliers, webinars, workshops) can help increase the response rate and quality of the emissions data needed to fill in the complex emissions communication template provided by the European Commission. Adjusting contracts with suppliers to consider CBAM requirements is also on the task list for many enterprises.

Still, the manufacturers and processors of CBAM goods outside the EU must determine the emissions information by themselves. This can be a complex undertaking, depending on the complexity of the local processes; sources of electricity, energy products, heat and cooling; and precursor materials. In many cases, specialist know-how from external resources is needed to conduct the emissions determination. The initial determination is likely to be the hardest part. But updating this data will need to be a continuous process for operators to supply their European customers with the data they require.

The real impact of CBAM is likely to be felt as non-EU manufacturers of CBAM goods learn about their emissions and become aware about the competitive impact of emissions when CBAM certificates have to be purchased from 2026 for imports into the EU. At that point, it seems likely that the question of decarbonization strategy and the technical rules of acceptance of green energies will gain importance to plan improvements. The EU importers and the non-EU manufacturers will need to consider the strategic impact of carbon pricing for their future global manufacturing, procurement and supply chain planning to optimize their future cost burden to remain competitive. Also, CBAMs are spreading globally – the UK and Australia have both announced legislative action in this area. In fact, the whole topic of general carbon pricing by way of carbon taxes and emissions trading systems is very dynamic globally, with numerous countries planning to implement these types of measures, which need to be factored in to supply chain planning even if these carbon measures typically start at fairly low rates.

Next steps

With the initial CBAM reports filed, often in a firefighting mode, various issues now need to be considered to improve the process going forward. They include defining internal roles and responsibilities, budgetary questions, data improvement and process efficiency, consideration of centralized vs. decentralized report preparation, use of internal and external data resources for collection, and the preparation and plausibility of data. Given the complexity and multidisciplinary nature of CBAM, it is important to formalize governance structures, especially in larger enterprises, including establishing operating procedures, documentation of roles and responsibilities, process documentation and the like.

These measures can not only improve and streamline the processes, but they can also help to demonstrate a sufficient level of due diligence and reasonable care to provide arguments to better manage any eventual assessment of penalties by the national CBAM authorities if CBAM reports have been filed late, incomplete or are partly incorrect. ■

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CBAM: UK Government announces Carbon Border Adjustment Mechanism

On 18 December 2023, in its response to the consultation on policy measures to address the risks of carbon leakage, the UK government announced[1] that a UK Carbon Border Adjustment Mechanism (CBAM) will be implemented by 2027.[2]

Between March and June 2023, the UK government consulted on the adoption of policies to address carbon leakage risk to support decarbonization. The government sought views on the nature and extent of the risk of carbon leakage to UK industry and the potential design and implications of policies to address such risks.

In announcing a UK CBAM by 2027, the UK government has indicated that additional consultation will take place on the design and mechanics of the UK CBAM in 2024, but the following key details have been released about how the mechanism will be constructed:

1 "UK Government announces adoption of Carbon Border Adjustment Mechanism (UK CBAM)," *EY website*. Find it here

2 Further background is available in our article 'UK: CBAM developments,' *TradeWatch* Issue 2 2023, page 41. Find it here

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Functioning of the UK CBAM

As with the equivalent EU CBAM (which is already in force), the UK CBAM will apply a tariff on imports of emission-intensive products, based on the embedded emissions of these imports. The UK CBAM will be a customs-orientated regime, with liability placed on the importer of record for products in scope.[3]

One key area where the UK CBAM will seemingly diverge from the EU CBAM is the use of emission certificates. While under the EU CBAM, reporters are required to purchase and surrender CBAM certificates, the UK government appears to have ruled this out for the UK regime.

Timing

The UK government has committed to implementing the UK CBAM "by 2027." No further detail has been provided at this stage regarding any potential transitional periods or a phased introduction of the regime. The EU CBAM is currently in a transition phase until 1 January 2026 when it becomes fully operational.

Sector scope

The envisioned scope of the UK CBAM also diverges from its EU equivalent. While both CBAMs will cover iron and steel, aluminum, cement, hydrogen, and fertilizers, the UK CBAM will also include ceramics and glass. Notably, the UK CBAM is not expected to cover electricity. The exact goods covered under these sectors will remain unclear until a full list of products is published; however, we understand that the UK will aim for "comparative coverage" with the UK Emissions Trading Scheme (UK ETS).

Emissions scope

The UK CBAM will be applied to Scope 1[4], Scope 2[5] and select precursor product emissions in imported products. As with the EU CBAM, Scope 3 emissions[6] will not be initially included in the UK CBAM.

Carbon prices paid outside the UK

In line with the EU CBAM, explicit carbon prices paid in other jurisdictions will be considered when calculating the price to be paid under the UK CBAM. However, as with the EU CBAM, it is not yet known which explicit carbon prices will be accepted under this mechanism.

3 See our 'EU: Update on the Carbon Border Adjustment Mechanism', article on page 59 of this issue. Find it here

4 Scope 1 emissions relate to direct activities owned or controlled by an organisation.

5 Scope 2 emissions relate to an organisation's consumption of purchased electricity, heat, steam and cooling.

6 Scope 3 relates to other emissions released as a consequence of an organisation's actions that occur at sources not owned or controlled by the organisation.

Coordination with UK ETS

The application of the UK CBAM will be linked with the UK ETS. The UK ETS Authority is also seeking views on how to improve the UK ETS. One of these consultations focuses on free allocations under the UK ETS, which will have a direct impact on the cost impacts of the UK CBAM. It is expected that, as with the EU CBAM, the introduction of financial impacts under the UK CBAM will likely be aligned with the availability of free allowances under the UK ETS.

Next steps for businesses

While details of the UK CBAM have not been finalized and will be consulted on in 2024, businesses can take steps now to start their preparations, including engaging with the UK government and responding to the forthcoming consultations. ■

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Germany: Update on excise tax legislative developments related to packaging and meat products

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Sustainability-related goals and budgetary constraints are driving two key developments with respect to local excise taxation in Germany: the planned introduction of a general federal plastic packaging tax and a possible tax on meat and meat products.[1]

An overview about taxation of packaging in Germany

The following measures related to packaging are required when placing goods on the market in Germany, including the importation and intra-EU acquisition of packaging and local manufacture.

German Packaging Act

For many years, measures in Germany related to Extended Producer Responsibility (EPR) that relate to the European Packaging Directive have been implemented in the German Packaging Act (Verpackungsgesetz).

However, it seems that some enterprises have overlooked the latest legislative developments that require a broader scope of packaging to be registered with the competent body (Zentrale Stelle Verpackungsregister). This obligation now applies to all types of materials, all production and all sales levels. Given the increased attention on this topic, the waste authorities are ramping up their capacity to audit and investigate possible breaches of the regulations more intensively. Where there is noncompliance with the registration and reporting requirements, the authorities are increasingly active in issuing significant monetary fines and applying sanctions up to the prohibition of distribution of products due to compliance shortcomings.

German single-use plastics levy

In addition, effective 1 January 2024, Germany has implemented a new single-use plastics levy (EWKFondG), another measure in context of the EPR regulations. This levy aims to reduce plastic waste and encourage better use of resources, in line with circular-economy goals, specifically the aim that the pollution of community spaces should be minimized. The levy affects German producers of single-use plastic items by making them financially responsible for waste management, recycling, cleaning of public areas and consumer education. Businesses that place these products on the German market, including acquiring

1 "Germany's early-stage legislative process commences for tax on meat products," *EY website*, 7 February 2024. Find it here

products via import or intra-EU acquisition, as well as e-commerce sellers, are subject to the measure. For businesses not established in Germany, a German representative must handle remitting the levy, in specific cases. The generated revenues will contribute to a new fund managed by the Federal Environmental Agency, supporting waste management and public awareness efforts.

The levy covers, among other items, food containers, packets, wrappers, beverage containers, cups, plastic bags, wet wipes, balloons (excluding those for industrial use) and tobacco products with filters. From 2027, it will also include fireworks containing plastic parts. The levy amounts, to be determined by a supplementary legal act, are planned to vary significantly based on the product type, with charges ranging from EUR0.06 to EUR8,945 per kilogram.

Local packaging tax in Tübingen

Furthermore, there is a local packaging tax in the city of Tübingen that has applied since 1 January 2022. The tax focuses on diverse types of packaging for drinks and food for immediate consumption in the widest sense, which also includes, for example, cutlery. The legitimacy of the tax is currently being considered at the constitutional court. If it passes successfully, many other cities and communities may also implement local taxes, and a number of cities and communities have already prepared similar legislative drafts.

Federal Plastic Packaging Tax

The German federal government has announced the implementation of a general Federal Plastic Packaging Tax. Currently there is no official legislative draft for the tax. However, the tax should be implemented as of 1 January 2025. It is possible that the technicalities and experiences gained from the plastic packaging taxes in the UK and Spain may influence the legislative process. In any case, aside from local production (making plastic packaging available to the market), it is likely that the intra-EU acquisition and importation of plastic packaging and packaged products will be covered by the tax.

Businesses should closely follow the legislative developments related to the Federal Plastic Packaging Tax, since the time for implementation will be rather short if the current 1 January 2025 deadline remains in place. Either way, businesses should consider the lessons learned from the implementation of plastic packaging taxes in other jurisdictions, which means they should already kick off preparations for compliance, especially in relation to the availability and quality of their packaging-related data.

Excise tax on meat and meat products

German politicians are discussing the possible introduction of an excise tax on certain animal products, also known as an "animal welfare cent." The revenue is planned to fund, among other things, incentives to farmers to support the restructuring of agricultural livestock farming. Based on recommendations and expert opinions, a non-harmonized excise tax is proposed, similar to the German coffee tax, to generate tax revenue for agricultural and food policy projects.

The drafting of a legislative proposal is now in process at the ministerial level. Generally, the excise tax may cover meat, meat products and edible offal as well as processed products containing a specified proportion of these animal products. Initially, the focus may be on pork meat, with a phased approach to cover other sources of meat (from different animals) in later stages.

The tax rate may have a quantity-based structure (i.e., euros per kilogram). There have also been discussions about differentiation of taxation depending on the quality level of meat product (i.e., whether it is of organic or conventional production). The level of the tax rate would be freely scalable and would be decided politically.

Currently there is no official plan as to when such a tax may be introduced, but, if the measure is approved at the political level, if could be implemented fairly quickly, given budgetary reasons. ■

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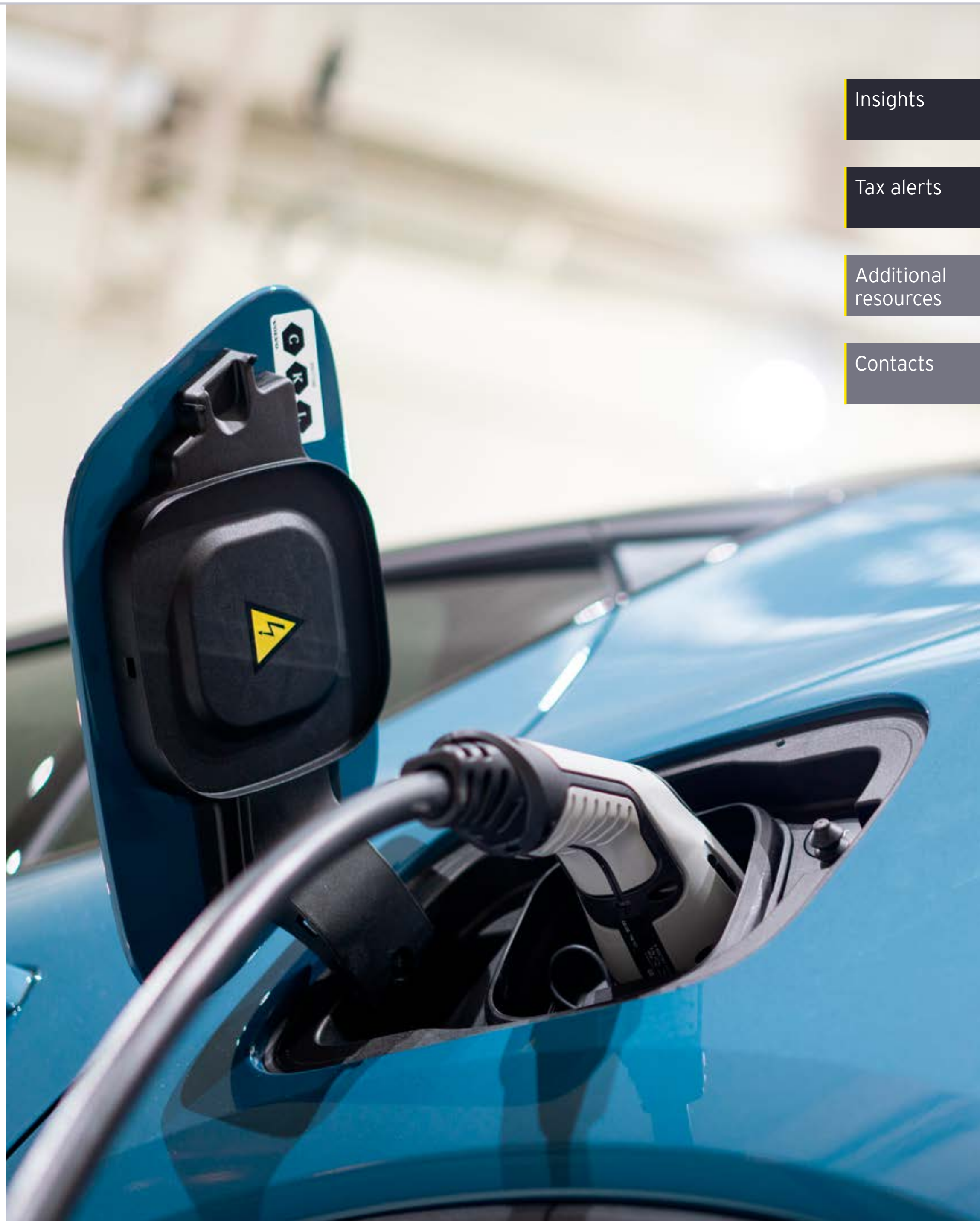
Thailand: Incentives for production of battery-powered electric vehicles



In early 2022, the Ministry of Finance (MOF) and the Excise Department announced rules, conditions and procedures outlined in the BEV 3.0 policy, which grants subsidies and duty and excise-tax incentives in Thailand from 2022 to 2025. Under this policy, businesses that imported battery-powered electric vehicles (BEVs) between 2022 and 2023 were eligible for these incentives if they committed to commencing BEV assembly in Thailand by 2024 or 2025. The key objective of this policy was to promote the development of the BEV manufacturing sector in Thailand and to assist in Thailand moving toward a carbon-neutral economy by 2050. In 2023, the Thai government announced changes to this policy, discussed below.

Subsequently, a new BEV 3.5 policy aims to further position Thailand as a production hub for BEVs in line with the Thai government's 30@30 plan (which aims for BEV production volumes to constitute 30% of annual vehicle production by 2030) and to encourage the adoption of zero-emission vehicles. The Thai Cabinet has approved the BEV 3.5 policy from 2024 to 2027.

Changes to the BEV 3.0 regime[1]

In 2023, Thailand announced additional production process criteria to attract investment from new and existing automobile companies to develop BEV production in Thailand, where such production is undertaken within Thai Customs-approved Free Zones or designated Industrial Estate Authority of Thailand Free Zone areas. Battery localization criteria have been revised to add the option of battery pack assembly from cells.

1 "Thailand announces additional criteria for battery powered electric vehicles produced in Free Zones," *EY website*, 12 February 2024. Find it here

In keeping with the Thai government's ongoing push to develop the BEV manufacturing sector in Thailand, the Office of Industrial Economics (OIE) has announced additional Essential Production Process (EPP) criteria aimed at facilitating the gradual transition of the existing vehicle manufacturers in the Customs Free Zone (CFZ) or an Industrial Estate Authority of Thailand-Free Zone (IEAT-FZ) for the domestic market.

The Notification of the MOF dated 28 December 2021 in relation to duty reduction and exemption under Section 12 of the Customs Tariff Decree 1987 states that goods produced within a Free Zone using imported raw materials and parts that are subsequently sold or consumed domestically are eligible for duty reduction or exemption, provided the following two tests are met:

1. Local content threshold: Goods produced must meet a minimum 40% local or ASEAN content threshold.
2. Process test: The production process undertaken in the CFZ or IEAT-FZ to produce the goods must meet the prescribed EPP criteria, as determined by the OIE.

Under the latest OIE Notification regarding the EPP criteria for vehicle manufacturers, the EPP criteria for batteries (under Category #30) have been revised. Moreover, two new EPP criteria (under Categories #35 and #36) have been introduced. Details of the revised and new EPP criteria are summarized below. They came into effect on 28 December 2023.

Category #30 for batteries (revised)

Original EPP criteria	Revised EPP criteria
Before 1 January 2025 ▸ Battery pack assembly ▸ Quality check **After 1 January 2025** ▸ Module production ▸ Battery pack assembly ▸ Quality check	**Before 1 January 2025** ▸ Battery pack assembly ▸ Quality check **After 1 January 2025** ***Option 1*** ▸ Module production ▸ Battery pack assembly ▸ Quality check ***Option 2*** ▸ Battery pack assembled from cell ▸ Quality check
▸ Module production involves assembling battery cells by connecting them with cutouts and a management system. ▸ Battery pack assembly is the complete assembly of battery modules, along with other component parts, for further integration into a vehicle. ▸ Quality check involves assessing the usability features and safety of the battery packs.	▸ Module production involves assembling battery cells by connecting them with cutouts and a management system. ▸ Battery pack assembly is the complete assembly of battery modules, along with other component parts, for further integration into a vehicle. ▸ Quality check involves assessing the usability features and safety of the battery packs. ▸ Battery pack assembled from cell involves assembling battery cells by connecting them with cutouts and other component parts to create a complete battery pack that can be further integrated into a vehicle.

For BEV companies in the CFZ or IEAT-FZ that have signed up for the BEV 3.0 incentive program and have used the existing concessional local content calculation treatment on imported battery cells, local battery production must meet either Option 1 or Option 2 starting from 28 December 2023.

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Category #35 for Internal Combustion Engines (ICEs) Hybrid Electric Vehicles (HEVs), Plug-in Hybrid Electric Vehicles (PHEVs) and BEVs (new)

<table>
<tr><th>Production volume</th><th colspan="2">EPP criteria</th></tr>
<tr><td>If ≤ 4,500 units per year</td><td colspan="2">For ICEs and HEVs
▸ Body production
▸ Body painting
▸ Assembly
▸ Quality check

and/or
▸ For PHEVs and BEVs
▸ Battery production
▸ Assembly
▸ Quality check</td></tr>
<tr><td>If > 4,500 units per year</td><td>1. For 1–4,500 units, the EPP criteria are as follows:
1.1 For PHEVs and BEVs – battery production of at least 2,250 units year
1.2 Body production and painting for ICEs, HEVs, PHEVs and BEVs
1.3 Assembly
1.4 Quality check
Only the EPPs outlined in Items 1.1 and 1.2 should be considered collectively. For example, if there are EPPs as outlined in Item 1.1, there should also be EPPs as outlined in Item 1.2 for the remaining units. This ensures the total quantity is at least 4,500 units per year.
2. For 4,501 units and beyond, the EPP criteria are as follows:
2.1 Assembly
2.2 Quality check
Within the first year of production, manufacturers must produce BEV passenger cars. Starting from the second year, the production of BEV passenger cars must not be fewer than 500 units per year. The production of BEV passenger cars must undergo EPPs, especially assembly and quality checks.</td><td>Remarks:
▸ Body production involves the assembly of a body using unpainted body parts through methods such as welding.
▸ Body painting involves coloring the assembled body to prevent rusting or for decorative purposes, using methods such as electroplating and spraying.
▸ Assembly involves the process of assembling automotive parts onto the painted body, including the installation of the power unit (e.g., engine), power train system and wiring harness.
▸ Quality check refers to the final inspection of the vehicle's quality, which includes examining the safety devices and engine system.
▸ Battery production must undergo the essential production processes as outlined in Category 30 of the OIE's Notification.</td></tr>
</table>

Category #36 for BEVs produced from vehicle structures specifically designed for BEVs (new)

<table>
<tr><th>Production volume</th><th colspan="2">EPP criteria</th></tr>
<tr><td>If ≤10,000 units over a five-year period</td><td colspan="2">▸ Vehicle structure production
▸ Body painting
▸ Assembly
▸ Battery pack assembly (at a minimum)
▸ Quality check</td></tr>
<tr><td>If > 10,000 units over a five-year period</td><td>For 1-10,000 units:
▸ Vehicle structure production
▸ Body painting
▸ Assembly
▸ Battery pack assembly (at a minimum)
▸ Quality check
The EPPs must be conducted every year for the first five years of production.
For 10,001 units and beyond:
▸ Assembly
▸ Quality check</td><td>Remarks:
▸ Vehicle structure production involves the manufacturing of an unpainted main vehicle structure through welding or fixing, excluding the attachment of additional automotive parts such as bumpers and headlights, which are subsequently assembled onto the body.
▸ The vehicle structure designed specifically for BEVs must differ significantly from the structure of other vehicle types. It can only be manufactured for BEVs and cannot be produced for other types of vehicles.
▸ Body painting involves coloring the assembled body to prevent rusting or for decorative purposes, using methods such as electroplating and spraying.
▸ Assembly involves the process of assembling automotive parts onto the painted body, including the installation of the power unit, power train system and wiring harness.
▸ Battery pack assembly is the complete assembly of the battery modules, along with other component parts, for further integration into a vehicle.
▸ Quality check refers to the final inspection of the vehicle's quality, which includes examining the safety devices and engine system.</td></tr>
</table>

The BEV 3.5 regime[2]

On 28 December 2023, the Excise Department unveiled rules, conditions and procedures outlined in the Thai government's BEV 3.5 policy, which will enable BEV importers and/or local BEV manufacturers to take advantage of a new set of subsidies and excise-tax reduction incentives for BEV passenger vehicles, pick-up trucks and motorcycles, whether imported or locally assembled. The BEV 3.5 policy aims to encourage the development and use of BEVs in Thailand from 2024 to 2027. Likewise, the MOF concurrently introduced a duty privilege policy and specified requirements for BEV imports from 2024 to 2025 under the updated policy.

The BEV 3.5 incentive policy represents the Thai government's continuing push to drive development and transition toward zero-emission vehicles and to promote Thailand as the BEV production hub for the ASEAN region. It offers a business operator subsidy. Reduced duty and excise-tax treatment on BEV imports during 2024 and 2025 is available, provided the operator commits to commencing local assembly of BEVs by 2026 or 2027. This policy is limited to BEV passenger vehicles, pick-ups and motorcycles.

2 "Thailand: Subsidies, duties, excise-tax incentives to encourage development and use of battery electric vehicles," *EY Tax Alert*, 7 February 2024. Find it here

Key details of the BEV 3.5 policy, effective from 1 January 2024, are as follows:

a. For both imported and locally assembled passenger BEVs

BEV type	Passenger BEVs			
Retail price and battery kWh	≤2m Thai bhat (THB) and ≥ 10 kWh		>THB 2m but ≤THB 7m and ≤ 50 kWh	
BEV battery standards	Must comply with Thai Industrial Standards Institute (TISI) standards; pass Automotive and Tyre Testing, Research and Innovation Center (ATTRIC) testing; and adhere to quick charge standards, as specified by the Ministry of Industry (MOI).			
Subsidy amount (per unit) based on battery size	**Year**	**≥ 10 kWh but < 50 kWh**	**≥ 50 kWh**	
	2024	50,000	100,000	No subsidy
	2025	35,000	70,000	
	2026-27	25,000	50,000	
Subsidy claimant party and period	BEV importers: from 2024 to 2025 Local BEV assemblers: from 2024 to 2027			No subsidy
Import tariffs	Up to 40% reduction (for the first two years: 2024-25)			No subsidy
Reduced excise tax	2% (from 8%)			
BEV local assembly requirements	Under this policy, business operators importing BEVs must locally produce any type of BEV within either of the following volume thresholds: ▸ 1:2 ratio for every BEV unit imported if local BEV production is fulfilled by December 2026 ▸ 1:3 ratio for every BEV unit imported if local BEV production is only fulfilled by December 2027			
Battery local assembly requirements	Battery and its parts localization to commence from 2026.			

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b. For BEV pick-up trucks and e-motorcycles (locally assembled ones only):		
BEV type	**BEV pick-ups ≤ 4,000 kg**	**Motorcycles**
Retail price and battery kWh	≤ THB 2m and ≥ 50 kWh	≤ THB 150,000 and ≥ 3 kWh
Standards required	For locally assembled vehicles: Same as the passenger BEVs mentioned above	As specified by the Excise Department (refer to the note below)
Subsidy amount (per unit)	THB 100,000 (2024 to 2027)	THB 10,000 (2024 to 2027)
Reduced excise tax	2024-25: 0% (from 10%) 2026 onward: 2% (from 10%)	1% (from 5%)
Battery local assembly requirements	Battery and its parts localization to commence from 2026	Not applicable

Note: As per the memorandum of understanding, the Excise Department has established the following specifications for BEV motorcycles:

- The lithium-ion battery must be ≥ 48 volts and certified by the Thailand Automotive Institute (TAI).
- The battery must have a capacity of ≥3 kWh or a range of ≥ 75 km on a single charge. It must also pass the Worldwide Harmonized Motorcycle Emission Certification tests and procedures with Class 1 or above, as certified by TAI.
- The motorcycles must use pneumatic tires that meet one of the following standards:
  - TISI standard No. TIS. 2720 – 2017 "Pneumatic [tires] for motorcycles and mopeds" or higher
  - United Nations Regulation (UN Regulation) No.75 (00 series or higher).
- To qualify for approval, the motorcycles must meet one of the following BEV motorcycle safety standards:
  - TISI standard No. TIS. 2952 – 2018 "Vehicles of category L with regard to specific requirements for the electric power train"
  - UN Regulation No. 136 (00 series or higher)
- Obtain a certificate for a motorcycle electric-powered generator model as announced by the Department of Land Transport.

Business operators that have signed up for the BEV 3.0 policy may transfer unsold BEV units imported under the BEV 3.0 policy to the new BEV 3.5 policy. However, to do so, the operators must also sign a memorandum of understanding with the Excise Department to comply with the BEV 3.5 conditions. Once the transfer is completed, the business operators can then claim the BEV subsidy amount provided under the BEV 3.5 policy when these BEV units are subsequently sold and registered with the Department of Land Transport.

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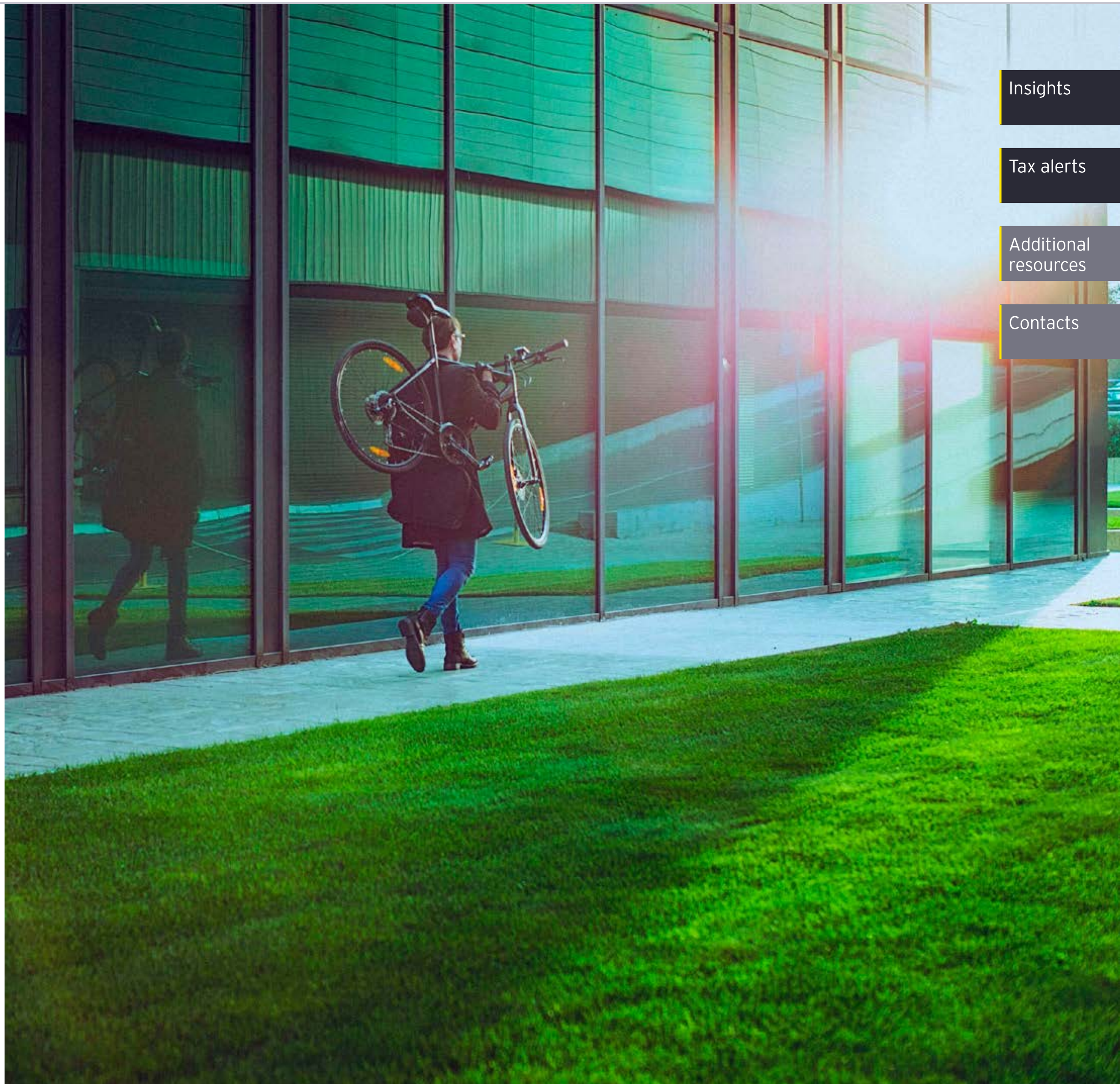
EY's Green Tax Tracker

Keep pace with sustainability incentives, carbon regimes and environmental taxes – The EY Green Tax Tracker helps you monitor evolving sustainability tax policies across the globe.



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Argentina

- Argentine Executive Branch sending Fiscal Measures bill to Congress
  (20 March 2024)
- Argentina eliminates the Economic Financial Capacity analysis for imports
  (23 January 2024)
- Argentine Executive Branch sends bill to Congress that includes new tax measures
  (11 January 2024)
- Argentina to issue 'Bonds for the Reconstruction for a Free Argentina'
  (10 January 2024)
- Argentine Executive Branch sent bill to Congress that includes new Incentive Regime for Large Investments
  (05 January 2024)
- Argentina implements new economic measures with impact on tax and foreign exchange matters
  (18 December 2023)

Canada

- Ontario budget 2024-25 includes measures affecting businesses and individuals
  (28 March 2024)
- New Brunswick budget 2024-25 holds tax rates steady, adds new credits and expands certain incentives
  (22 March 2024)
- Quebec 2024-25 budget includes certain tax credit changes
  (14 March 2024)
- Alberta budget 2024-25 discussed
  (04 March 2024)
- Nunavut budget 2024-25 tabled
  (29 February 2024)
- British Columbia budget 2024-25 includes several measures affecting businesses
  (26 February 2024)
- Canada trade compliance verification list update – January 2024
  (05 February 2024)
- Canada's Bill C-59 to implement outstanding indirect tax measures receives first reading
  (22 December 2023)
- Canada's new reporting rules for digital platform operators take effect 1 January 2024
  (01 December 2023)

Ecuador

- Ecuadorian President proposes new tax bill, expected to be effective by year-end
  (06 December 2023)

Global

- The outlook for global tax policy and controversy in 2024
  (26 March 2024)

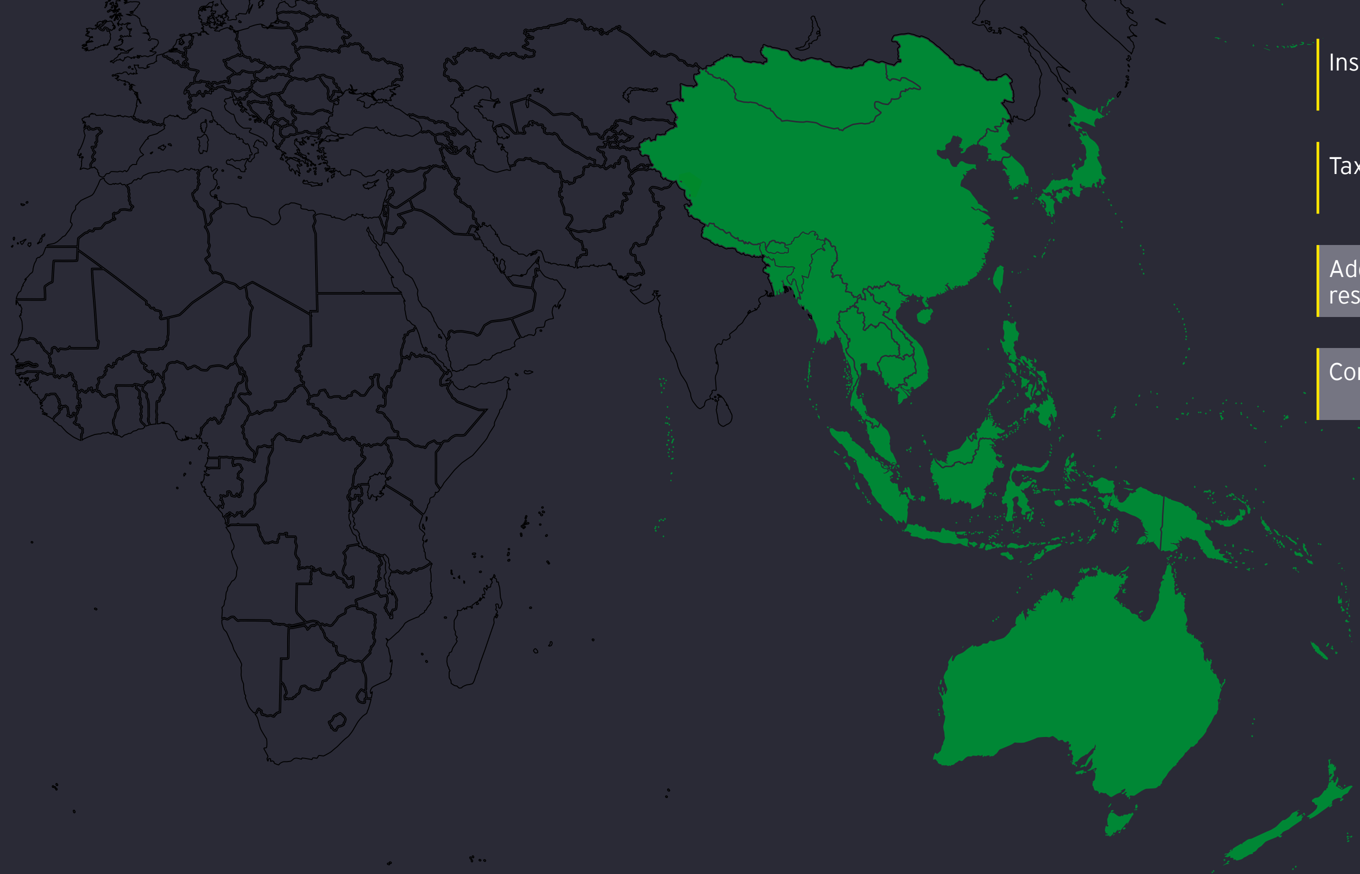
Asia-Pacific

Asia-Pacific

- EY Global Tax Controversy Flash Newsletter (Issue 67): transfer pricing and customs valuation – a hot topic in Asia-Pacific
  (11 March 2024)

Global

- The outlook for global tax policy and controversy in 2024
  (26 March 2024)



Europe, Middle East, India and Africa

Algeria
- Algeria enacts finance laws with key measures applicable to corporations
(14 January 2024)

Belgium
- Belgium's mandatory e-invoicing to apply from 1 January 2026
(08 February 2024)

European Union
- European Commission issues binding valuation information rules and conditions for decisions on binding tariff and binding origin information
(17 April 2024)
- EU Council approves Corporate Sustainability Due Diligence Directive
(19 March 2024)
- European Parliament adopts new rules on green claims
(14 March 2024)
- European Union: first vote on EU customs reform
(27 February 2024)
- European Commission publishes 'default values' for CBAM transitional phase
(05 January 2023)

France
- France revises schedule for adopting e-invoicing reform
(23 January 2024)

Germany
- Germany's early-stage legislative process commences for tax on meat products
(07 February 2024)

Ghana
- Ghana imposes emissions levy
(13 February 2024)
- Ghana's 2024 Budget Statement tax proposals passed into law
(23 January 2024)

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- The outlook for global tax policy and controversy in 2024
(26 March 2024)

Italy
- Italy's plastic tax will enter into force on 1 July 2024
(21 February 2024)

Poland
- Poland postpones implementation of mandatory National e-Invoicing System
(23 January 2024)

Saudi Arabia
- Saudi Arabia further extends tax amnesty initiative through 30 June 2024
(03 January 2024)
- Saudi Arabia issues guideline for Special Integrated Logistics Zone
(22 December 2023)

South Africa
- South Africa announces sustainability and energy tax measures as part of 2024 Budget Review
(01 March 2024)
- South Africa commences preferential trade under the African Continental Free Trade Agreement
(09 February 2024)

South Sudan
- South Sudan enacts Financial Act 2023/2024
(17 January 2023)

Thailand
- Thailand's nonbinding consultation discussion with Customs available for HS product classification
(13 February 2024)
- Thailand announces additional criteria for battery powered electric vehicles produced in Free Zones
(12 February 2024)
- Subsidies, duties, excise-tax incentives to encourage development and use of battery electric vehicles
(07 February 2024)

United Kingdom
- Trade Talking Points – Latest insights from EY's Trade Strategy team
(01 April 2024)
- UK Trade Talking Points – latest insights from EY UK's Trade Strategy team
(25 March 2024)
- Consultation launched on proposed UK Carbon Border Adjustment Mechanism
(22 March 2024)
- UK Government announces adoption of Carbon Border Adjustment Mechanism (UK CBAM)
(22 December 2023)

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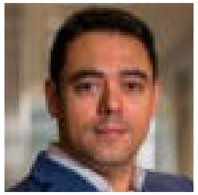

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