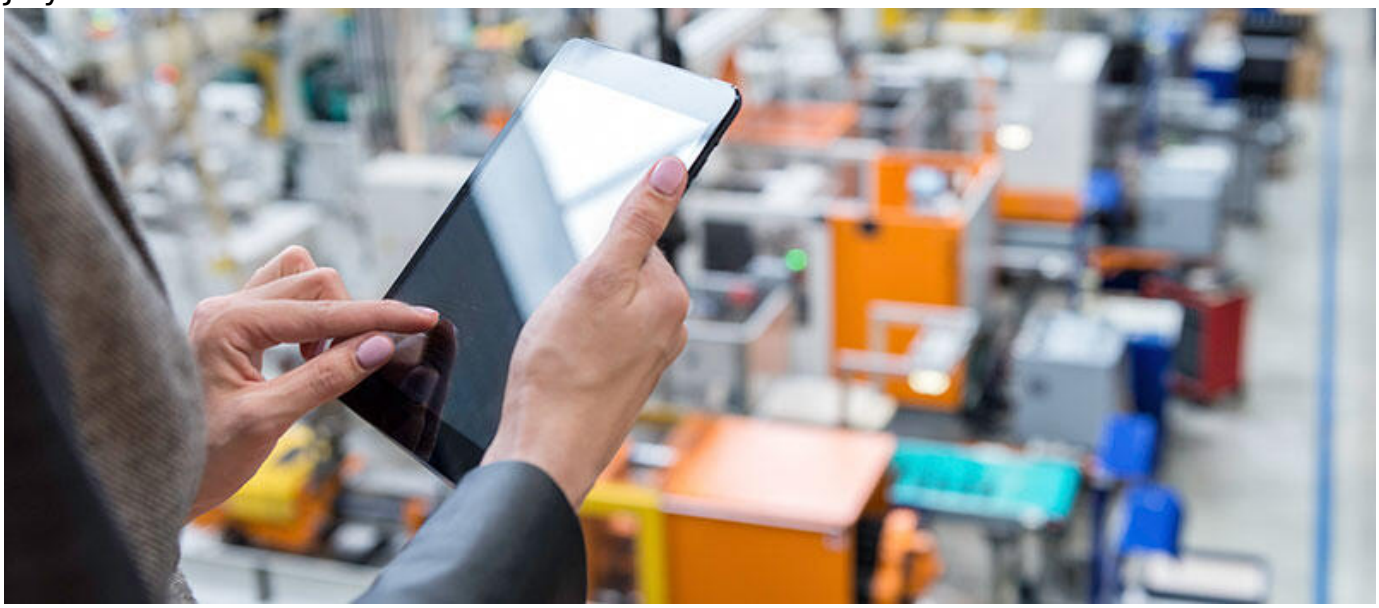
Further secondary legislation for the carbon border adjustment mechanism

Indirect Tax

July 2026



22 June 2026

On 9 April 2026, HMRC published a six-week consultation on further secondary legislation in respect of the carbon border adjustment mechanism. Although three draft documents were published, feedback was only sought on the draft legislation.

The carbon border adjustment mechanism (CBAM) is a new tax that will be introduced on 1 January 2027. It will impose a carbon price on imported products that are carbon intensive in their manufacture, including aluminium, cement, fertilisers, hydrogen, and iron and steel. See GOV.UK for further details about CBAM.

The consultation published three documents:

- the draft secondary legislation, the Carbon Border Adjustment Mechanism (Emissions and Verification) Regulations 2026;
- a draft notice, which will have force of law, to which the above draft regulations refer; and
- a systems boundaries document containing definitions of technical terminology and the mapping of commodity codes for aggregated goods

The Carbon Border Adjustment Mechanism (Emissions and Verification) Regulations 2026 were the sole focus of the request for feedback, with the two supplementary documents provided to assist understanding. The regulations will provide the legislative requirements for the administration of the tax, including the calculation of embodied emissions, the monitoring and verification of emissions data, and record-keeping.

CIOT feedback

In our view, the draft regulations would achieve the intended aims, though we highlighted three areas in our submission where changes could be considered to improve clarity.

1. Interpretations

- Whilst interpretations were provided for most technical terms, we noted that the interpretation of an ‘installation’ appeared to refer to a single site. However, some manufacturers could use several sites in the production and processing of their CBAM goods, so the drafting could be clearer for such cases.
- The draft legislation did not include the interpretation of ‘precursor emissions’ in regulation 2, where the other technical terms are listed. Instead, it is defined in regulation 7. However, the first use of the term is in step 5 of regulation 5(1), which may be confusing.
- We also suggested that an interpretation for the term ‘operator’ is provided in the regulations, or by means of a referral to a notice, as the term is used frequently in the draft legislation.

2. Roundings

We noted that there was a difference in the way the two examples of rounding were presented.

Regulation 2 stated that ‘any figure in tonnes must be rounded to the nearest tonne’, which we assumed would require figures to be rounded up or down, depending on the decimal values.

However, step 7 of regulation 5(1) states that the emissions intensity must be ‘rounded to five decimal places’, though it is not clear if this means only round up, only round down or round to the nearest number, so this could be clearer.

3. Complexity and certainty

We noted that there are many referrals in the draft regulations to a published notice. Firstly, this approach increases complexity as readers have to cross-refer to separate publications to understand the draft legislation. Secondly, as public notices can be amended at any time, this approach impacts certainty. Businesses referring to this legislation must be mindful that there may be changes to the notices to which the legislation refers, and so must be checked on every occasion.

The full CIOT submission is available here: www.tax.org.uk/ref1671

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