



DRAFT LEGISLATION: CARBON BORDER ADJUSTMENT MECHANISM

Issued 2 July 2025

ICAEW welcomes the opportunity to comment on the Draft legislation: carbon border adjustment mechanism published by HM Revenue & Customs on 24 April 2025, a copy of which is available from this [link](#).

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 172,000 chartered accountant members in over 150 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

This response of 2 July 2025 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, ICAEW's Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

© ICAEW 2025

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: Tax – taxfac@icaew.com

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)1908 248 250 F +44 (0)20 7920 0547 icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

KEY POINTS

1. ICAEW welcomes the opportunity to comment on the draft legislation introducing the UK's Carbon Border Adjustment Mechanism (CBAM). Our response focuses on principles, recognising that others may provide more detailed technical commentary.
2. Overall, we support the government's approach to structuring the CBAM legislation, recognising that placing the core chargeable elements, scope definitions, and administrative procedures in primary legislation is appropriate, while leaving detailed technical provisions to secondary legislation. As per our ten tenets for a better tax system (see Appendix 1), it is important that tax legislation is enacted by statute and subject to scrutiny by Parliament.
3. We particularly welcome the government's commitment to publish and consult on draft secondary legislation before it is laid before Parliament. However, we note that only one regulation-making power will be subject to the affirmative procedure on an ongoing basis. Given the technical complexity and significance of delegated provisions – such as the methodology for attributing emissions to imported goods and determining eligibility for relief on overseas carbon prices paid – this initial consultation will be vital. Early stakeholder engagement will help ensure that regulations are fair, practical, and aligned with international standards.
4. We recommend specific attention during this further consultation stage be given to:
 - a) Ensuring transparency in the development and ongoing revision of default emissions values and calculation methodologies;
 - b) Clearly defining criteria for recognising foreign carbon pricing schemes eligible for relief; and
 - c) Providing detailed practical guidance and illustrative examples, especially in complex scenarios such as goods moving between Great Britain, Northern Ireland, and the EU.
5. Finally, we emphasise the importance of timely and clear guidance from HMRC to support businesses, particularly SMEs, in meeting their compliance obligations effectively and efficiently under this new regime.
6. ICAEW looks forward to continuing constructive engagement on the implementation of the CBAM, drawing on the expertise of our members to support the development of clear, effective, and proportionate secondary legislation and administrative guidance.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see <https://goo.gl/x6UjJ5>).