



DRAFT REGULATIONS: CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

Issued 24 March 2026

ICAEW welcomes the opportunity to comment on the Draft regulations: Carbon Border Adjustment Mechanism (CBAM) published by HM Revenue & Customs on 10 February 2026, a copy of which is available from this [link](#).

This response of 24 March 2026 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.

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KEY POINTS

Evidentiary standard for precursor good weight

1. Regulation 6(4) of the [Administrative Provisions Regulations](#) defines the "weight of the precursor good" as its net weight "immediately prior to the point at which the precursor good began to be used in the production of a CBAM good".
2. This drafting establishes a point-in-time physical measurement standard that conflicts with the realities of continuous industrial manufacturing. Heavy industries subject to CBAM operate on continuous production cycles in which precursor materials cannot practicably be isolated and weighed at the exact moment of input.
3. Demanding a separate, point-in-time methodology for the UK imposes significant additional compliance costs on supply chains with no corresponding benefit to data quality, given that overseas suppliers will already be using the EU CBAM mass-balance approach for their European exports.
4. We strongly advise amending Regulation 6(4) to permit accounting-based mass balance or specific consumption methodologies, aligning the UK with the EU's approach. This would also be consistent with HMRC's own acceptance of mass balance accounting for the plastic packaging tax, confirming that such methods can satisfy the integrity requirements of a UK tax regime.

Verifier independence and international trade risks

5. Regulation 8(e)(iii) of the [Calculation Regulations](#) requires a verifier to be independent of "the state institutions of the country" in which a qualifying carbon pricing scheme is based.
6. In major exporting jurisdictions with state-integrated industrial sectors, this requirement may prove structurally problematic. Where domestic verification bodies operate within a state-supervised framework, it is unclear whether they would meet the independence threshold as currently drafted, potentially limiting the pool of eligible verifiers available to UK importers seeking to claim carbon price relief.
7. Although this may have been a conscious decision, we recommend that HMRC considers whether this drafting could create unintended barriers for UK importers and whether it risks exposure to challenge from the WTO by functionally disadvantaging verifiers from certain jurisdictions. We would welcome clarification of how HMRC intends the requirement to operate in practice, and whether standard international accreditation – as used by the EU CBAM – might achieve the same integrity objectives with fewer trade risks.

Three-year repayment contradiction

8. There is a potential inconsistency between the published [policy summary](#) and the Finance Act 2026 regarding return amendments. While the Finance Act falls outside the scope of this consultation, we raise this point given that the policy summary has only recently been published and the inconsistency may not yet have been identified.
9. The policy summary states that a repayment claim can be made within three years from the date the return is submitted. This does not appear to reflect the Finance Act (Sch 17, Para 26), which limits repayment claims to three years from the date the CBAM payment was made. HMRC may wish to review the consistency of these two documents.

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Trial CBAM rate

10. The policy summary commits to publishing a trial CBAM rate in Q4 2026. While we recognise this does not require a statutory mechanism, we urge HMRC to view this as a critical delivery dependency. Failure to publish this rate on time will leave businesses unable to model costs or prepare their systems ahead of the 1 January 2027 commencement.

Technical drafting correction

11. In the Administrative Provisions Regulations, Regulation 6(1) outlines the information to be included in a return. The lettering jumps directly from paragraph (e) to paragraph (g).
12. We recommend that paragraph (f) is reinstated, if applicable, or the list renumbered prior to the legislation being laid before Parliament.

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](#).