

# Plastic packaging tax: consultation

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# Chapter 1

## Introduction

- 1.1 In March 2018, the government launched a call for evidence on using the tax system or charges to tackle single-use plastic waste. This received a record 162,000 responses, highlighting the strong public interest in action in this area.
- 1.2 Plastic packaging is typically only used for a short period of time and then disposed of, and accounts for 44% of plastic used in the UK,<sup>1</sup> but 67% of plastic waste.<sup>2</sup>
- 1.3 Over 2 million tonnes of plastic packaging is used in the UK each year.<sup>3</sup> The vast majority of this is made from new, rather than recycled plastic. Using new plastic typically has greater environmental impact: it requires unnecessary resource extraction and processing, with higher energy use and emissions than using recycled material. It also results in significant amounts of additional plastic waste on the market, which is generally sent to landfill or incinerated. The process of consuming recycled material drives the recycling market and helps to reduce the rate at which plastic is sent for waste treatment/disposal further down the waste hierarchy.
- 1.4 The government's call for evidence highlighted that using recycled plastic is often more expensive than using new plastic, despite its lower environmental impacts. Significant variations in the price of new plastic over time can also discourage businesses from committing to using recycled plastic instead of new plastic in the long term. The government wants to encourage the sustained use of more recycled plastic in the production of plastic packaging to help tackle plastic waste. This will help to drive the treatment of plastic waste up the waste hierarchy so that more plastic is recycled rather than being sent to landfill or incineration, to improve resource productivity and make more plastic waste a useful and valued resource.
- 1.5 At Budget 2018, this government announced its intention to introduce a new tax on plastic packaging. The tax will apply to businesses that produce or import plastic packaging which uses insufficient recycled content, taking effect from April 2022. The tax will be set at a rate that provides a clear economic incentive for businesses to use recycled material in the production of plastic packaging, which will create greater demand for recycled plastic,

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<sup>1</sup> 'The UK Plastics Industry: A Strategic Vision for Growth,' British Plastics Federation, 2016

<sup>2</sup> 'A Plastic Future, Plastic Consumption and Waste Management in the UK', WWF, 2018

<sup>3</sup> 'Digest of Waste and Resources Statistics', Defra, 2018

and in turn stimulate increased levels of collection and recycling of plastic waste.

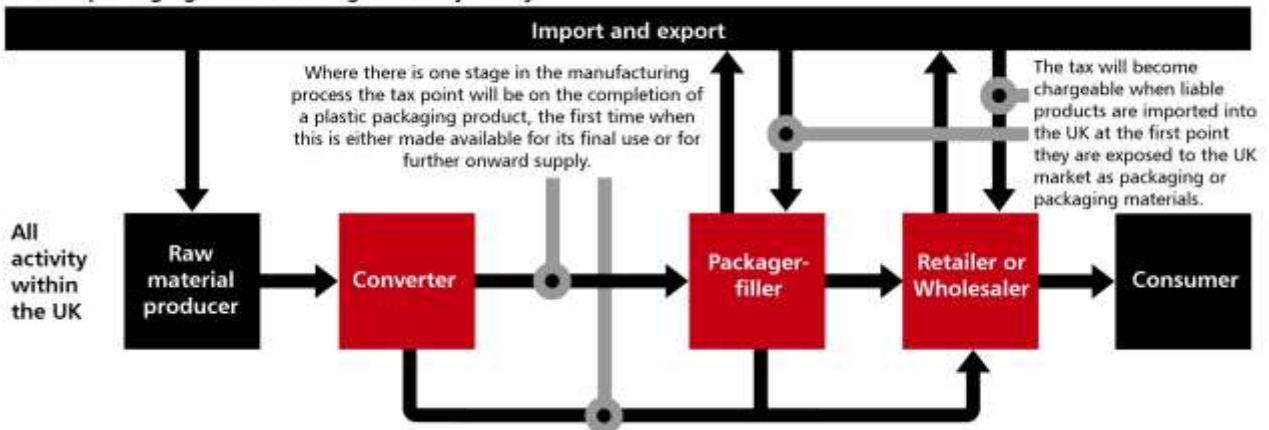
- 1.6 This tax will complement reformed Packaging Producer Responsibility regulations, discussed in this [parallel consultation](#). The Packaging Producer Responsibility reforms will encourage businesses to design and use plastic packaging that is easier to recycle, and discourage them from creating plastic packaging which is difficult to recycle, which will increase supply of easier-to-recycle plastic. The government believes that the tax and Packaging Producer Responsibility regulations will provide business with the right incentives to recognise the impact of their plastic packaging decisions and drive the development of more sustainable packaging.
- 1.7 Proposals for consistent collection of waste, being [consulted on in parallel](#) to this, will help households to more easily separate recycling and set minimum standards for local authorities. This will help to increase supply of plastic waste for recycling. The government is also consulting on proposals to introduce a [Deposit Return Scheme for drinks containers](#), which would aim to boost recycling materials and reduce the amount of littering.

## Overview of the plastic packaging tax

- 1.8 This consultation will seek views on the initial proposed design of the plastic packaging tax (“the tax”). The government is open to views on the best design options for the tax.
- 1.9 The government proposes that the tax would apply to all plastic packaging manufactured in the UK and unfilled plastic packaging imported into the UK. It would only apply to plastic packaging (as defined by the tax) with less than 30% recycled content. This consultation seeks views on whether this is the most appropriate scope of the tax in comparison to other options.
- 1.10 The definition of plastic packaging for the specific purposes of applying the tax would be set out in legislation.
- 1.11 Where there is one manufacturer involved in the manufacturing process the tax would be applied when the packaging product or component, such as a tub, tray or bottle, is made available for use or onward sale. This consultation seeks views on the most appropriate tax point where there are multiple manufacturers involved in a process.
- 1.12 For imported, unfilled plastic packaging, the tax would be charged when liable products are imported into the UK and released onto the UK market as plastic packaging or plastic packaging material which will be used to make plastic packaging. Unfilled plastic packaging that is exported would not be subject to the tax.
- 1.13 The tax would be charged on the full weight of the packaging product, at a flat rate set per tonne of packaging material.



## Plastic packaging manufacturing to retail journey



- 1.14 Currently within 'The Producer Responsibility Obligations (Packaging Waste) Regulations 2007' (as amended), converters are businesses which convert 'packaging materials' into 'packaging' and are the types of businesses likely to be liable for the tax.
- 1.15 Not all converters will be liable for the tax; throughout this consultation those obligated to pay the tax will be referred to as 'liable manufacturers'.
- 1.16 The tax would be UK-wide, but the government is committed to engaging closely with the devolved administrations on its design. The government intends to share relevant responses to this consultation with devolved administrations.

## What is the government consulting on?

- 1.17 The rest of this consultation sets out the policy proposals for the plastic packaging tax and seeks views on its design to ensure it is introduced in a way that best meets its objectives while minimising burdens on business.
- 1.18 Chapters 3 to 12 set out exactly what the government is consulting on and include a number of specific questions on:
  - defining products within the scope of the tax
  - setting a threshold for recycled plastic content
  - the approach to rates
  - the precise point at which the tax is charged and who will be liable to pay
  - how to minimise administrative burdens for the smallest operators and/or low volumes of production or import
  - the treatment of imports and exports
  - promoting compliance and preventing opportunities for tax avoidance or evasion
  - how business can demonstrate the recycled content of their products in a robust way without introducing unnecessary administrative burdens

- 1.19 This consultation aims to comply with the government's Consultation Principles, issued by the Cabinet Office. If you are not satisfied that this consultation has followed the Consultation Principles, or you have any other observations about how we can improve the process, please contact us via the complaints procedure.
- 1.20 During the consultation period, the government will also be gathering evidence through other methods. In order to further inform the policy design, officials will engage directly with key stakeholders in order to explore the main issues involved. The government may collect further evidence in other ways.

## How to respond

- 1.21 The deadline for responses to this consultation is 12 May 2019.
- 1.22 Representations made online are preferable but emails can be sent to [ETTanswers@hmtreasury.gov.uk](mailto:ETTanswers@hmtreasury.gov.uk). Representations sent by email should be sent as an attachment that can be opened in Microsoft Word. Representation by mail can be sent to:
- Plastic Packaging Tax consultation  
Energy and Transport Tax team  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ
- 1.23 Any questions about the consultation can also be sent to [ETTanswers@hmtreasury.gov.uk](mailto:ETTanswers@hmtreasury.gov.uk).
- 1.24 Paper copies of this document or copies in Welsh and alternative formats may be obtained free of charge from the above address. This document can also be accessed from GOV.UK.
- 1.25 All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.
- 1.26 Where possible, please also provide evidence to support your responses. This consultation will inform future policy development. The government will set out its intentions once it has considered the responses received.

## Processing of Personal Data

- 1.27 This notice sets out how HM Treasury will use your personal data for the purposes of this consultation and explains your rights under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

## Your data (Data Subject Categories)

- 1.28 The personal information relates to you as either a member of the public, parliamentarian, or representatives of an organisation or company.

## The data we collect (Data Categories)

- 1.29 Information may include your name, address, email address, job title, and employer of the correspondent, as well as your opinions. It is possible that you will volunteer additional identifying information about yourself or third parties.

## Legal basis of processing

- 1.30 The processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in HM Treasury. For the purpose of this consultation the task is consulting on departmental policies or proposals or obtaining opinion data in order to develop good effective government policies.

## Special categories data

- 1.31 Any of the categories of special category data may be processed if such data is volunteered by you.

## Legal basis for processing special category data

- 1.32 Where special category data is volunteered by you (the data subject), the legal basis relied upon for processing it is: the processing is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department.
- 1.33 This function is consulting on departmental policies or proposals, or obtaining opinion data, to develop good effective policies.

## Purpose

- 1.34 The personal information is processed for the purpose of obtaining the opinions of members of the public and representatives of organisations and companies, about departmental policies, proposals, or generally to obtain public opinion data on an issue of public interest.

## Who we share your responses with

- 1.35 Information provided in response to a consultation may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004 (EIR).
- 1.36 If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence.
- 1.37 In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

- 1.38 Where someone submits special category personal data or personal data about third parties, we will endeavour to delete that data before publication takes place.
- 1.39 Where information about respondents is not published, it may be shared with officials within other public bodies involved in this consultation process to assist us in developing the policies to which it relates. Examples of these public bodies appear at: <https://www.gov.uk/government/organisations> In this case, HM Treasury may share relevant responses with HMRC, Defra, BEIS and the devolved administrations.
- 1.40 As the personal information is stored on our IT infrastructure, it will be accessible to our IT contractor, NTT. NTT will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

### How long we will hold your data (Retention)

- 1.41 Personal information in responses to consultations will generally be published and therefore retained indefinitely as a historic record under the Public Records Act 1958.
- 1.42 Personal information in responses that is not published will be retained for three calendar years after the consultation has concluded.

### Your rights

- 1.43 You have the right to request information about how your personal data are processed and to request a copy of that personal data.
- 1.44 You have the right to request that any inaccuracies in your personal data are rectified without delay.
- 1.45 You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.
- 1.46 You have the right, in certain circumstances (for example, where accuracy is contested), to request that the processing of your personal data is restricted.
- 1.47 You have the right to object to the processing of your personal data where it is processed for direct marketing purposes.
- 1.48 You have the right to data portability, which allows your data to be copied or transferred from one IT environment to another.

### How to submit a Data Subject Access Request (DSAR)

- 1.49 To request access to personal data that HM Treasury holds about you, contact:

HM Treasury Data Protection Unit  
G11 Orange  
1 Horse Guards Road  
London

SW1A 2HQ

dsar@hmtreasury.gov.uk

## Complaints

1.50 If you have any concerns about the use of your personal data, please contact us via this mailbox: [privacy@hmtreasury.gov.uk](mailto:privacy@hmtreasury.gov.uk).

1.51 If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner, the UK's independent regulator for data protection. The Information Commissioner can be contacted at:

Information Commissioner's Office

Wycliffe House

Water Lane

Wilmslow

Cheshire

SK9 5AF

0303 123 1113

[casework@ico.org.uk](mailto:casework@ico.org.uk)

1.52 Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

## Contact details

1.53 The data controller for any personal data collected as part of this consultation is HM Treasury, the contact details for which are:

HM Treasury

1 Horse Guards Road

London

SW1A 2HQ

London

020 7270 5000

[public.enquiries@hmtreasury.gov.uk](mailto:public.enquiries@hmtreasury.gov.uk)

1.54 The contact details for HM Treasury's Data Protection Officer (DPO) are:

The Data Protection Officer

Corporate Governance and Risk Assurance Team

Area 2/15

1 Horse Guards Road

London

SW1A 2HQ

London

[privacy@hmtreasury.gov.uk](mailto:privacy@hmtreasury.gov.uk)

# Chapter 2

## About you

- 1 What is your name?
- 2 What is your email address?
- 3 Which best describes you? Please provide the name of the organisation/business you represent and an approximate size/number of staff (where applicable).

(Please tick only one option. If multiple categories apply to you, please choose the one which best describes you and which you are representing in your response.)

- Business representative organisation/trade body
  - Packaging designer
  - Packaging manufacturer / converter
  - Product manufacturer / pack filler
  - Distributor
  - Retailer
  - Waste Management Company
  - Reprocessor
  - Local government
  - Community group
  - Non-governmental organisation
  - Charity or social enterprise
  - Consultancy
  - Academic or research
  - Individual
  - Other
  - If you answered 'Other' above, please provide details
- 4 Please provide any further information about your organisation or business activities that you think might help us put your answers in context.

5 Would you like your response to be confidential? Why?



## Chapter 3

# Plastic packaging within scope of the tax

- 3.1 The government wants to incentivise an increase in the use of recycled plastic as a substitute for some of the new plastic used in plastic packaging, by taxing all plastic packaging which does not meet a specified level of recycled plastic content.
- 3.2 To ensure the tax is clear and simple for businesses and minimises administrative burdens, the government's preferred approach is to set the scope so as to be consistent with the reformed Packaging Producer Responsibility system, unless there are good reasons to do otherwise. The consultation running parallel to this one examines potential changes to the categorisation of packaging in a reformed Packaging Producer Responsibility system. The government may choose to align the tax with any updated packaging waste regulations.
- 3.3 This chapter seeks views on the government's approach to defining plastic, packaging and plastic packaging.

## Plastic

- 3.4 As there is no definition of plastic in the Producer Responsibility Obligations (Packaging Waste) Regulations 2007, nor the underlying Packaging Waste Directive (94/62/EC), the government proposes that for the purposes of the tax, it will draw upon the following definition in Article 3 of the draft Directive on Single-Use Plastics:

'plastic' means a material consisting of a polymer within the meaning of Article 3(5) of Regulation (EC) No 1907/2006, to which additives or other substances may have been added, and which can function as a main structural component of final products, with the exception of natural polymers that have not been chemically modified

- 3.5 Article 3(5) of Regulation (EC) No 1907/2006 states that:

Polymer: means a substance consisting of molecules characterised by the sequence of one or more types of monomer units. Such molecules must be distributed over a range of molecular weights wherein differences in the molecular weight are primarily attributable to differences in the number of monomer units. A polymer comprises the following:

a simple weight majority of molecules containing at least three monomer units which are covalently bound to at least one other monomer unit or other reactant;

less than a simple weight majority of molecules of the same molecular weight.

- 3.6 The guidance on Article 3(5) of Regulation (EC) No 1907/2006 recognises that natural polymers are not covered as they occur naturally in the environment.
- 3.7 This definition would include bio-based plastic and plastics that are compostable, biodegradable or oxo-degradable, as well as fossil-based plastic. Although the government recognises there is an important role for bio-based, compostable and biodegradable plastic in certain applications, the objective of this tax is to shift demand towards the use of recycled material, and therefore the government's initial proposal is that the tax will not distinguish between different types of plastic or different ways of design for disposal. However, the government would welcome views on this. As outlined in the recently published Bioeconomy Strategy, the government is planning to launch a consultation later this year concerning these materials.

## Packaging

- 3.8 For the purposes of the tax, the government proposes that the definition of packaging would be based on definitions in the Producer Responsibility Obligations (Packaging Waste) Regulations 2007, and the underlying Packaging Waste Directive (94/62/EC).
- 3.9 Packaging is currently defined within the Packaging Producer Responsibility regulations as:
- all products made of any materials of any nature to be used for the containment, protection, handling, delivery and presentation of goods, from raw materials to processed goods, from the producer to the user or the consumer. Non-returnable items used for the same purposes shall also be considered to constitute packaging.
- 3.10 The following types of plastic packaging would therefore be within the scope of the tax:
- Primary, secondary and tertiary packaging as defined by the current Packaging Producer Responsibility regulations
  - Re-usable plastic packaging, as currently defined by the Packaging Producer Responsibility regulations
  - Consumer-facing packaging and distribution and transit packaging, as defined in the parallel consultation regarding the Packaging Producer Responsibility regulations, should these definitions be adopted in place of the primary, secondary and tertiary definitions
- 3.11 This definition also includes component parts such as labels or lids used to present or protect a product. The government understands that at the point that plastic packaging is ready to be packed/filled it may be made up of different component parts, such as bottle tops and cup lids. These component parts may be supplied separately by different manufacturers using different processes, but they would individually be included in the definition as set out above.

- 3.12 The definition will need to be tailored to the point at which the tax will become chargeable, as discussed in Chapter 6 of this consultation.

## Packaging materials

- 3.13 The government understands there can be multiple manufacturers and processing stages in the production of plastic packaging. In Chapter 6, the government presents different options for when the tax becomes chargeable. This may require reference to the definition of packaging material, as laid out in the Producer Responsibility Obligations (Packaging Waste) Regulations:

materials used in the manufacture of packaging and includes raw material and processed materials prior to their conversion into packaging.

- 3.14 It is not the government's intention to tax raw plastic material. However, depending on the final model some packaging material which is manufactured could fall within scope of the tax – that is, material which is produced at the 'converter' stage of the supply chain.

## More complex types of packaging

- 3.15 Many types of packaging will be made from more than one material rather than being 100% plastic. The government will need to define which types of packaging count as 'plastic packaging' for the purposes of the tax.

- 3.16 The government proposes that, in line with the current Packaging Producer Responsibility regulations, plastic packaging or packaging material which can be easily separated into parts consisting of the same or different material will count as two separate items of packaging, and each fall within the scope of the tax. As described above, an example of this is a plastic bottle with a plastic lid. As manufacturers often make these items separately, the government believes this approach would ease their administrative burden. Composite packaging on the other hand, is packaging made of two or more layers of different types of material which cannot be separated by hand and form a single integral unit, often consisting of an inner receptacle and an outer enclosure, that it is filled, stored, transported and emptied as such.

- 3.17 When composite packaging is categorised for the purpose of calculating Producer Responsibility obligations, the 2007 Regulations say that:

packaging materials composed of a combination of any of those materials are to be treated as made of the material which is predominant by weight.

- 3.18 For the purposes of the tax, the government intends to consider composite packaging that is predominantly plastic by weight as plastic packaging. Packaging made of multiple types of material, which is not predominantly plastic, will not be considered plastic packaging for the purpose of the proposed tax.

- 3.19 The government would prefer to align with the Packaging Producer Responsibility regulations but welcomes views on whether a different approach may be appropriate. The Packaging Producer Responsibility regulations places obligations on mixed material packaging that is categorised as another material, whereas the tax will only apply to plastic

packaging. When deciding which composite packaging will fall under the scope of the tax, the government will carefully balance the burdens on business with the potential for non-compliant behaviour.

3.20 The alternative options for the treatment of mixed material packaging are:

Option 1: Setting a fixed percentage of plastic content required for a packaging component to fall in scope of the tax. Depending on where the percentage is set, this would bring more products containing plastic in scope of the tax.

Option 2: Applying the tax to any packaging containing plastic. In this case the tax would be charged on the weight of the plastic content of the packaging, rather than the full weight of the packaging.

## Definition of chargeable plastic packaging

3.21 For the rest of this document, plastic packaging refers to chargeable plastic packaging, which will be defined to:

- Align with the definition of packaging and/or packaging materials under the Packaging Producer Responsibility regulations, depending on the precise point at which the tax becomes chargeable
- Meet the definition of 'plastic' as set out above
- Clarify the treatment of packaging that contains more than one material

3.22 As set out above, the government is consulting on these definitions. A clear definition will need to be tailored to the point at which the tax will become chargeable, as discussed in Chapter 6 of this consultation.

## Questions

3.23 The above definitions outline the basis for defining the scope of plastic packaging with the preferred approach of maintaining coherence with the Packaging Producer Responsibility system. The government may need to adapt the above definitions in order to suit the requirements of the tax design.

- 6 Do you agree with the government's suggested approach to defining plastic in scope of the tax?
- 7 Do you agree with the government's suggested approach to defining packaging and packaging materials in scope of the tax?
- 8 Is the government's approach to components of plastic packaging consistent with the way businesses operate and packaging is created?
- 9 Which of the above options for defining plastic packaging for composite material items do you think works better for the purposes of the tax?
- 10 Do you think alignment with the reformed Packaging Producer Responsibility regulations is important for the purposes of the tax?

# Chapter 4

## Driving recycled content

- 4.1 The government wants the tax to be charged only where recycled content is less than a set threshold. It will therefore be important to set out a clear definition of recycled content that is not open to interpretation, while ensuring the approach for doing so minimises burdens on businesses.
- 4.2 The government wants to encourage all liable manufacturers who could use more recycled material to do so, in order to reduce use of new materials and so maximise the environmental benefit. This means making use of recycled plastic from all sources, including emerging technologies, whilst minimising the risks of unintended consequences for business and the environment.
- 4.3 This chapter seeks views on the government's approach to defining recycled content and the threshold for the purposes of the tax.

### Defining recycled content

- 4.4 The government wants to ensure that the definition of recycled content does not discourage further investment in innovative recycling. As such, the government's preferred approach would be that chemically recycled plastic and other innovative recycling processes are considered in the same category as mechanically recycled plastic. However, the government is interested in views on whether there are any environmental or technical reasons not to treat chemically recycled plastic as recycled content.
- 4.5 The government intends to refer to existing standards when developing a definition of recycled content. One relevant standard is the International Organisation for Standardization (ISO) standard 14021:2016, which provides guidance to any business wishing to make an environmental claim about a product. The standard defines the level of recycled content as:

...the proportion, by mass, of recycled material in a product or packaging. Only pre-consumer and post-consumer materials shall be considered as recycled content, consistent with the following usage of the terms:

Pre-consumer material: Material diverted from the waste stream during a manufacturing process. Excluded is reutilization of materials such as rework, regrind or scrap generated in a process and capable of being reclaimed within the same process that generated it.

Post-consumer material: Material generated by households or by commercial, industrial and institutional facilities in their role as end-users of the product, which can no longer be used for its intended purpose. This includes returns of material from the distribution chain.

- 4.6 The government's preferred approach is to include pre-consumer material as well as post-consumer material in the definition above, so as to maximise the resource productivity of both sources of plastic waste. However, this may create perverse incentives that outweigh those benefits. The government will need to consider the risk that this approach might encourage wasteful manufacturing processes, and balance that against the risk of pre-consumer waste being disposed of further down the waste hierarchy.
- 4.7 The government would welcome views on whether this provides an appropriate basis for defining recycled content and any possible unintended consequences.
- 4.8 Liable businesses will be required to keep evidence of the levels of recycled content in any given products, in order to ensure compliance with the tax. The government wants to ensure that the tax is designed in a way that prevents abuse and minimises administrative burdens on business. Therefore, the onus will be on liable businesses to maintain records to verify their claims about the levels of recycled content in their products.
- 4.9 There is more detail in Chapter 9 on the reporting requirements that will be placed on business. The government would prefer to align the definitions of recycled material and the evidential requirements with existing evidence that businesses hold on their products, where possible. Manufacturers may currently record and store data on the materials they use in their products and their origins, including levels of recycled material, in order to demonstrate compliance with existing regulatory standards. They may also keep records for the purposes of quality control, especially in cases where brand owners audit their suppliers. To help inform the record-keeping requirements for liable businesses, the government would welcome information about the records that businesses currently keep on their products, sales and storage, as well as whether these records are stored digitally and in what kinds of software systems. Should such data be of insufficient detail or at significant risk of misreporting, the government would consider alternative approaches to reporting.

## **Threshold of recycled content**

- 4.10 The government wants a threshold for recycled content that is both ambitious and achievable. The primary intention of the tax is not to raise revenue but to change behaviour.
- 4.11 The government wants to set the threshold of this world-leading tax at an ambitious level, to reflect the pressing need to act on this issue. The threshold must also be achievable in the foreseeable future for many types of plastic packaging, or large parts of the market will be discouraged from investing in solutions to meet the target.
- 4.12 The government proposes that the tax will be charged on all plastic packaging which contains less than 30% recycled content. This threshold is based on what businesses said about their current levels of recycled content in the government's earlier call for evidence, and on what would be possible in the future. Evidence received by the government during the call for evidence suggests that the vast majority of plastic packaging is currently

made from new, rather than recycled plastic. However, the government believes that with the right incentives there is scope to increase the use of recycled content.

- 4.13 Several leading businesses in the UK have already pledged to have an average 30% recycled plastic in their plastic packaging by 2025 through the UK Plastics Pact. Setting a threshold of 30% for the tax encourages all businesses to meet this target and to meet it faster.
- 4.14 The government recognises that currently, the levels of recycled content in plastic packaging varies between flexible and rigid packaging, polymer types and packaging applications. The government understands that there are a number of factors which influence those decisions, such as:
- technical or regulatory challenges in the nature of the product
  - the properties of plastic used
  - financial or other barriers in accessing a supply of recycled plastic
  - other financial incentives or limited waste streams
- 4.15 The government expects supply of recycled material to increase in the future, both as consequence of technical advancements, improvements to collection infrastructure, and the planned reforms to the Packaging Producer Responsibility system. As technical developments and waste collection improve, higher thresholds would become more achievable and could be considered in future reviews of the tax.
- 4.16 In some instances, technical challenges mean that it could be more difficult to use recycled material, such as for food contact packaging. Where there is a lack of appropriate recycled material, it is generally because there isn't sorting and reprocessing of a sufficient standard or capacity. Innovation and investment have already delivered plastic recycling that mean that recycled material can be used in food-contact packaging. The government wants to encourage innovation in waste management systems and new forms of recycling that could, in time, deliver more recycled material like this.
- 4.17 The government does also recognise that there may be some instances where the use of recycled material is prohibited. The government welcomes information regarding the impact of the tax on these kinds of products.

## Setting a single threshold

- 4.18 The government's preferred approach is to set a single threshold for all plastic packaging, to better ensure a level playing field between manufacturers of different types of plastic and packaging. It would also make the tax simpler for businesses to administer and minimise compliance risks.
- 4.19 Alternatively, the government could consider having more than one threshold. The different incentive structure could reward increases in recycled content for a wider range of products at a range of levels of recycled content and would possibly drive greater, or different behaviour change. This could be done in two different ways:

Option 1: Multiple tax bands could provide a clear incentive to increase recycled content for more types of plastic packaging manufacturing, but it would make the tax more complicated and increase burdens on business.

**Table 4.A: Multiple tax bands**

Recycled content	Tax
Low level	Highest rate
Medium level	Reduced rate
High level	Zero-rated

Option 2: Setting different thresholds for different types of products. This would require clear definitions to distinguish between packaging types according to their format and their liability to the different tax rates. This would make the tax more complex and costly for businesses to administer. It could also favour particular forms of plastic packaging in a manner which might be inconsistent with the logic of the tax.

- 4.20 The government must balance the effectiveness of the tax against the administrative burdens on business, alongside the complexity and the risk of non-compliance.
- 4.21 The government wants the threshold to apply to each item of plastic packaging, to encourage increases in recycled content across all types of packaging. The government believes this is preferable to the threshold applying to the overall amount of packaging produced or imported.
- 4.22 However, the government would welcome suggestions on any other reasonable approach to calculating the proportion of recycled content as well as views on the practical implications of assessing recycled content for individual items of packaging.

## Questions

- 4.23 The government plans to set a single threshold at 30% recycled content with a definition drawing on ISO 14021, which can include pre-consumer and post-consumer material, whether mechanically or chemically recycled.
  - 11 Do you agree with the government’s suggested approach to defining recycled content for the purposes of the tax?
  - 12 Are there any environmental or technical reasons to consider excluding any particular ways of recycling plastic?
  - 13 Is there any way that the proposed approach to defining recycled content could encourage unintended consequences, such as wasteful manufacturing processes?
  - 14 Do you agree with the government’s preferred approach of a single threshold, and why? If not, what alternative would be better, and what are the risks associated with this? Please explain your answer and provide any supporting information and evidence.



- 15 Assuming a single threshold, do you agree with a 30% threshold for recycled content and why?
- 16 Are there any products for which it would be very challenging to increase the level of recycled content, and why? If so, please outline the effect of a tax on production decisions and consumption of these items.
- 17 Are there any products for which the use of recycled plastic is directly prohibited in packaging? If yes, please provide details on these products stating the relevant legislation and industry standards as well as the effect of a tax on production decisions and consumption of these items.
- 18 What evidence is currently held by liable manufacturers and importers on the levels of recycled content in their plastic packaging and how it might be able to meet the requirements of identifying recycled content levels?
- 19 If you are an importer of unfilled plastic packaging or plastic packaging material, what information do you hold on the recycled content? What controls or assurance do you have over the accuracy of this information? How might you influence the level of recycled plastic content?

# Chapter 5

## Setting the tax rate

- 5.1 The government wants to set the rate in a way that helps to drive the redesign of products to include more recycled plastic. In addition, the government wants to charge the tax in a way that is consistent with Packaging Producer Responsibility regulations and considers the impacts that both policies will have on businesses.
- 5.2 The government's preferred approach is to charge the tax at a flat rate per tonne of a product. Charging by weight aligns with the current Packaging Producer Responsibility regulations and simplifies the administration of the tax.
- 5.3 The government wants to introduce a tax rate which is significant enough to change manufacturer behaviour and to drive demand for recycled plastic, while not imposing excessive burdens on business. The impact of the tax will be considered alongside the impact of a reformed Packaging Producer Responsibility system. Therefore, the government plans to set a flat rate per tonne of plastic packaging at a rate that is sufficient to drive changes to production. The government will announce a rate when decisions have been taken about the tax design.
- 5.4 Decisions about tax rates are announced by the Chancellor at a fiscal event and legislated for in a Finance Bill. They are typically reviewed on an ongoing basis.

### Questions

- 5.5 The government plans to set the tax rate at a level that would be sufficient to shift production behaviour across a range of packaging products.
  - 20 Do you agree with the government's suggested approach of setting a flat rate per tonne of a plastic packaging product? Why?

# Chapter 6

## Liability for the tax

- 6.1 UK manufacturers who produce plastic packaging which does not contain sufficient recycled material will be liable for the tax. To protect UK competitiveness and to ensure the tax does not incentivise the production of non-recycled plastic packaging overseas, the government will also tax the importation of equivalent products. At Budget 2018, the government announced that the tax will be liable at the point of production and import, but it would welcome views on the precise point at which it becomes chargeable.
- 6.2 The government will also look to implement an export tax credit system for UK manufacturers who subsequently export packaging or packaging material on which tax has already been paid. This will ensure that UK manufacturers aren't disadvantaged in foreign markets. This is set out further in Chapter 7.
- 6.3 This chapter sets out the government's proposed approach to when the tax will become chargeable. The government wants to do this in a way that achieves the policy objective of encouraging greater use of recycled material, while maximising compliance and minimising the administrative burdens on businesses. The government would welcome views on these approaches, particularly on the precise point at which the tax becomes chargeable.

### Liability: UK-based production

- 6.4 The government intends to tax plastic packaging at the point of production. Manufacturers at this point in the supply chain are closer to the point at which recycled content is added, and have a clear line of accountability to the amount of recycled content in a product.
- 6.5 In most cases, where there is only one manufacturing process, the tax will be applied at the point where a UK manufacturer commercially exploits chargeable plastic packaging through sale or supply, including free of charge, to be packed/filled.
- 6.6 As outlined in Chapter 3 this would include individual component parts of plastic packaging such as bottles and lids.
- 6.7 We understand that the production of some plastic packaging involves multiple processes, often carried out by different manufacturers before it is made available for packing/ filling. In these circumstances, we believe that there are different approaches that could be taken, either:

Option 1: the tax could be applied:

At the first point in the supply chain where a UK manufacturer commercially exploits plastic packaging (materials) which are designed to be used in the manufacture of plastic packaging products. This includes onward sale or supply (including free of charge) to another manufacturer for further processing.

Option 2: the tax could be applied:

At the point in the manufacturing process where a manufacturer commercially exploits chargeable plastic packaging, through sale or supply including free of charge, to be filled, packed or assembled.

- 6.8 The government wants to apply the tax at the point which is most likely to be effective in driving behaviour change, by influencing production and procurement decisions. The government must also consider the clarity and administrative ease of identifying recycled content at the point in the supply chain that a business becomes liable for the tax, as well as considering the risk of avoidance.
- 6.9 Throughout the consultation process the government will work with manufacturers and businesses to understand the impact of routine wastage or spoilage which occurs during both the production and post-production stages to see how this might interact with the tax liability. Currently, no adjustments are intended to relieve spoiled or unfit for sale plastic packaging when liable manufacturers calculate either their tax liability or eligibility for the small producer relief or de minimis (see Chapter 8).

## **Liability: imported products**

- 6.10 The government plans to tax imported plastic packaging at the first point it is commercially exploited in the UK. This means the first time that plastic packaging is made available through sale or supply (including free of charge), for further processing or for packing/filling.
- 6.11 This approach aims to be consistent with the point at which domestically manufactured products become chargeable, and would include taxing imports at the point they are commercially exploited as plastic packaging, if equivalent products are chargeable in the UK.
- 6.12 The entity that either imports those goods into the UK and/or is the first to commercially exploit them in the UK will be liable to register and pay the tax. This could be a UK-based manufacturer, a wholesaler, a retailer, or any other business that deals in or consumes plastic packaging. For clarity, this would not include businesses such as freight forwarders who may handle these goods but are providing agent, import clearance, transport and warehousing services on behalf of the importer.

## **The import of filled packaging**

- 6.13 The government's initial proposal is that the tax will be chargeable on imported plastic packaging that is unfilled, in line with equivalent UK-manufactured packaging which would be liable under this tax.
- 6.14 The cost of packaging is usually only a small proportion of the cost of packaged goods. There may be greater administrative costs associated with

complying with the tax, if it applied to imported filled packaging. This is particularly true when the importer has no direct relationship with the packaging manufacturer, and when there are multiple manufacturers and businesses involved in the supply chain. However, recognising that imported filled plastic packaging falls within the scope of the current Packaging Producer Responsibility system, the government could consider taxing imported filled plastic packaging if it could help to sustain a level playing field for UK manufacturers. This depends on the feasibility of taxing these filled imports in a robust way.

- 6.15 The government needs to balance the policy objective against administrative burden and compliance risks, but welcomes views on the feasibility of taxing filled plastic packaging imports.

## Joint and several liability to the tax

- 6.16 To minimise the opportunity for tax avoidance and non-compliance, the government will consider extending the tax liability on a “joint and several” basis to other businesses in the supply chain if it is not accounted for at the appropriate time. This could include manufacturers, pack-fillers, brands and retailers. The tax would be charged on businesses that knew or had reasonable grounds to suspect the tax had not been accounted for. The government welcomes views on this.
- 6.17 The government would also welcome views on the influence that UK manufacturers and brand owners have on the recycled content of packaging and packaging materials manufactured overseas.

## Questions

- 6.18 The government intends to tax plastic packaging at the point of production. To protect UK competitiveness, and to ensure that the tax does not incentivise behaviours that undermine the objectives of the tax, the government also proposes to tax the import of unfilled plastic packaging and plastic packaging materials at the first point that they are exposed to the UK market. The government is considering joint and several liability for pack-fillers, retailers and brands.
- 21 Do you agree with the proposed points at which domestic or imported products would be liable for the tax? If not, at what point in the supply chain do you think the tax point should be and why?
- 22 Are there any situations where the proposed tax points would be administratively, practically or legally difficult? Please explain any adaptations that might be necessary.
- 23 If you are a business that produces or imports plastic packaging, how much of your yearly production, in tonnes, would you expect to be liable for the tax?
- 24 Do you provide (manufacture or import) plastic material which could be used as packaging without knowing the final use of the product? Is this a common occurrence?

- 25 Would you support extending joint and several liability for UK production, and for imports?
- 26 Please outline any issues in relation to routine wastage or spillage that may have an impact on the tax liability.
- 27 Do you agree with the government's initial proposal that the tax at import should only apply to unfilled packaging? If not, what would the effects be? What alternative would you prefer and how would it work?

# Chapter 7

## Treatment of exports

- 7.1 This chapter sets out the government's proposed approach to treating exports of chargeable plastic packaging.
- 7.2 The tax is intended to encourage an increase in the amount of recycled plastic content in plastic packaging produced and sold in the UK. To ensure that UK manufacturers are not at a competitive disadvantage, exports of chargeable plastic packaging will not be subject to the tax.

### Export credit scheme

- 7.3 'Export' refers here to any supplies outside the UK.
- 7.4 For UK manufacturers that produce and then directly export chargeable plastic packaging, it is envisaged that the tax will not become due, as the packaging will not be commercially exploited in the UK.
- 7.5 For those businesses which have paid the tax and then subsequently export the plastic packaging, the government proposes that a business could apply a tax credit against the tax paid, achieved by adjusting the relevant tax return.
- 7.6 The government proposes to restrict this credit to liable manufacturers who directly export their products as those businesses will have robust evidence proving that the tax had been paid, and the plastic packaging was subsequently exported. This restriction is likely to minimise the opportunity for abuse.
- 7.7 However, the government recognises that the exporter is not always the manufacturer of the goods. Therefore, the government would welcome views on the alternative option of allowing businesses that export chargeable plastic packaging to claim a tax credit against the tax paid, even if they did not directly pay the tax themselves. It is envisaged that businesses claiming a credit in these circumstances would need to supply robust evidence, within a specified time frame, which proves that an export took place. We would welcome views from across the supply chain on the viability of this option and ways to mitigate any potential abuse.
- 7.8 The government is not proposing that the tax paid on plastic packaging, which is filled or packed prior to export, will be eligible for an export credit.
- 7.9 The government is particularly interested to hear from UK liable manufacturers of plastic packaging who directly export, and also from liable manufacturers who sell their products to wholesalers who may later export these, especially if there is any risk that exporters foresee difficulties in

providing appropriate records to demonstrate that the plastic packaging has been exported.

## Export evidence

7.10 The government will look to adopt a similar approach to other taxes where export credits apply, and will set out detailed guidance to help businesses collect and retain adequate evidence of export for the purposes of the tax. The acceptable evidence may include a combination of the following:

- the customer's order (including customer's name and delivery address for the goods)
- copy sales invoice (including a description of the goods, an invoice number and customer's EU VAT number)
- commercial transport documents from the carrier responsible for removing the goods from the UK, for example an International Consignment Note (CMR) fully completed by the consignor, the haulier and signed by receiving consignee
- details of insurance or freight charges
- bank statements as evidence of payment
- receipted copy of the consignment note as evidence of receipt of goods abroad

7.11 This list is not exhaustive. Further details of the types of evidence which may be accepted can be found in '[The single market](#)' (VAT Notice 725) and '[Goods exported from the UK](#)' (VAT Notice 703).

7.12 Chapter 8 sets out the government's proposals to relieve small operators from the tax. Whenever a manufacturer is calculating their eligibility for relief, they will be required to take into account all of their production which is liable to the tax. This will include plastic packaging produced for both commercial exploitation or in the UK and for export. The government believes that this is the most simple and straightforward option, but would welcome views from small UK-based liable manufacturers of plastic packaging who are significant exporters.

## Questions

7.13 The government intends to credit the export of chargeable plastic packaging.

- 28 Do you agree with the government's suggested approach for crediting exports?
- 29 Do you foresee any difficulties in providing appropriate records to demonstrate that packaging has been exported?



# Chapter 8

## Excluding small operators

- 8.1 The government proposes excluding the smallest operators from the tax. This would ensure that administrative burdens for taxpayers are not disproportionate to the amount of tax that would be due, in situations where operators are too small to have a material impact on demand for recycled plastic. This would be done through a minimum threshold, or a 'de minimis', and is common practice across other business tax regimes, including in VAT.
- 8.2 The objective of the tax will be a key consideration in any de minimis threshold.
- 8.3 This chapter seeks views on the approach to setting a de minimis limit and the appropriate level.

### Approach to setting a de minimis threshold

- 8.4 The objective of the tax is a key consideration in the design of any small operator exclusion or relief.
- 8.5 Under the current Packaging Producer Responsibility system, businesses with less than £2m annual turnover and which handle less than 50 tonnes of packaging a year are not required to comply with the system. As discussed in the Packaging Producer Responsibility reform consultation running parallel to this one, the government is seeking views on what level the de minimis should be set at under a reformed system.
- 8.6 The government's approach to excluding small operators from the tax may be different to the Packaging Producer Responsibility system due to differences in the tax point and the need to set a coherent threshold/relief for plastic packaging, regardless of whether operators handle packaging made of other types of material.
- 8.7 The government expects the de minimis for the tax will be significantly lower than the current de minimis in the Packaging Producer Responsibility system, given that the tax operates with a narrower scope.
- 8.8 The government would still expect small operators below the de minimis to work towards increasing the recycled content in their products, particularly if, as their business grows, they become liable to the tax over time.
- 8.9 There are three approaches to this that the government is considering:

Option 1(a): threshold based on production/importation weight: Once an operator's production and/or importation weight exceeds the stated limit, they would become liable for the tax.

Option 1(b): threshold based on turnover and production/importation weight: An operator with a turnover over a set amount who also imports/produces plastic packaging over the stated limit would become liable for the tax.

Option 2: universal relief on the first portion of chargeable products. This model would disregard either a set weight of liable products each year on a rolling 12-month (backward looking) basis, or a given annual plastic packaging tax liability in pounds sterling, similar to the income tax personal allowance.

## **Risk of abuse of a de minimis threshold**

- 8.10 The government recognises the risk of businesses splitting into multiple small businesses to avoid the tax, and will work with businesses to stop any artificial arrangements that undermine a level playing field. Further consideration is also given to this in Chapter 6 where the concept of joint and several liability is explored. The government envisage that the policy will include provisions to deal with fragmentation which are explored in Chapter 10.

## **Treatment of imports and the threshold/relief**

- 8.11 The government would particularly welcome views on how it treats imports to ensure the environmental rationale of the tax is not undermined. In cases where a small overseas manufacturer supplies chargeable packaging to a small importer in the UK, the government believes that excluding the importer from the tax is proportionate, fair and does not contradict the rationale of the tax. However, there will be situations where a large overseas manufacturer supplies chargeable packaging to multiple small companies in the UK and that these individual imports may fall under any de minimis threshold.

## **Questions**

- 8.12 The impact on the objective of the tax will be a key consideration in the design of any small operator exclusion or relief. The government is consulting on which model is most appropriate and how to counter any risk of abuse.
- 30 Do you agree that the government should seek to exclude small operators? If yes, what would the risks be if the government didn't do this?
- 31 Would Option 1a, Option 1b or Option 2 best meet the government's objective of excluding small operators from the tax whilst ensuring the tax has a strong environmental rationale?
- 32 What factors should the government consider when setting a threshold (either on volume or turnover) or a relief? Do you have any suggestions for appropriate levels? If so, please provide an explanation for why you believe this is appropriate.

- 33 Would having a de minimis create any significant risks to the effectiveness of the tax at import (including, but not limited to, treatment of multiple imports from the same exporter/manufacturer/brand owner)? If yes, please provide evidence and suggest any additional legislative or operational countermeasures.
- 34 Do you anticipate any risks or issues that would arise from introducing a de minimis that aren't explored above? Please provide details.

# Chapter 9

## Registration and reporting

- 9.1 By April 2022, manufacturers and importers who are liable for the tax will have to register with HMRC, declare the amount of chargeable product, and account for the tax.
- 9.2 The government is committed to building a transparent and accessible tax system fit for the digital age. HMRC operates on a 'digital by default' basis and will look to mandate digital channels by which all businesses within the scope of the tax must register, report and pay online. The government will work closely with businesses to ensure the system meets users' needs.

### Registration process and requirements

- 9.3 Manufacturers and importers who are liable for the tax will need to register with HMRC. A responsible person in the business will be required to provide certain information, at a minimum this will include details about their business and estimates of the amount of liable plastic packaging in tonnes that they are expecting to produce and/or or import over the next 12 months.

### Filing returns and other requirements

- 9.4 Once registered, businesses will need to submit a quarterly tax return online and make an electronic payment of the tax due within one month of filing the tax return. The tax return will include information about the chargeable plastic packaging manufactured or imported in the period and the amount of tax to be paid.
- 9.5 At a minimum, businesses will be required to report the following:
- How many tonnes of product liable to the tax has been produced or imported
  - How many tonnes of tax paid product had been exported
- 9.6 As this is a self-declared tax, businesses may also be required to calculate and report their overall liability, depending on the final design of the digital solution.

### Questions

- 9.7 The government proposes to require registration and reporting on a "digital by default" basis, with similar registration requirements to other taxes. Businesses will self-report quarterly.

- 35 Do you agree that the registration and reporting requirements outlined are appropriate? If not, please specify why.
- 36 Please provide details of the estimated one-off costs for registering with HMRC.
- 37 Please provide details of the expected one-off and on-going costs of completing, filing, and paying the return.

# Chapter 10

## Ensuring compliance

- 10.1 The government wants to design and implement the tax in a way that promotes compliance and prevents avoidance and evasion. Effective compliance must be proportionate and shouldn't place undue burdens on businesses, but should provide a level playing field for compliant operators both domestically and those who import unfilled plastic packaging. Businesses will need to demonstrate that they have sufficient recycled content so that they are not liable for the tax, and the government wants to ensure that record-keeping requirements are robust to abuse.
- 10.2 As well as some of the important requirements discussed in earlier chapters, HMRC will require sufficient powers to ensure compliance, as well as appropriate sanctions for non-compliance. This chapter seeks views on:
- compliance: recycled content
  - compliance and enforcement powers
  - penalties
  - risk of abuse

### Compliance: recycled content

- 10.3 Manufacturers and importers will be required to conduct due diligence and maintain accurate records that demonstrate their products contain stated amounts of recycled content. If they do not, the tax will be due. The government welcomes input from businesses, standard setting organisations and researchers on how it can ensure that the requirements that HMRC introduces are sufficiently robust and can be evidenced to ensure compliance.
- 10.4 The government understands that, domestically, many manufacturers already keep stringent records on input materials for plastic packaging. It may be less straightforward to evidence the level of recycled content in imported plastic packaging, for example if there is no direct relationship between the importer and the overseas manufacturer. In order to mitigate the risks of mis-declaration and evasion, the government is considering approaches adopted in other areas of tax.
- 10.5 One option would be to require a UK based agent to represent non-UK established taxable persons. These agents would act in their own name, as if they were the importer and the UK supplier of goods to the final customer. As agents would have joint and several liability with the importer, they would be expected to conduct their own due diligence to ensure the

importers they represent have suitable records to prove the recycled content of their products. The government believes this could improve the reliability of the evidence of recycled content provided by overseas suppliers.

- 10.6 The government would accept any just and reasonable approach used to calculate recycled content, and would welcome views on how this might work in practice for different types of business and products.
- 10.7 Details of the documentation that will be required to verify the level of recycled content in plastic packaging will be proposed in a further technical consultation at a later date.

## **Compliance: enforcement powers**

- 10.8 In order to ensure compliance with the tax, HMRC will adopt similar compliance powers to those that are already in place to administer other taxes and duties. For example, HMRC will have the power to compulsorily register businesses that are liable to be registered for the tax but have failed to do so. HMRC will also be able to challenge the content of any return and assess for additional liability.
- 10.9 The government also proposes that, as with many existing taxes and duties charged on goods, HMRC will have the power to detain or seize plastic packaging materials on which the full tax liability has not been paid, or where there are other significant compliance failures.
- 10.10 The government welcomes views from respondents on whether there are specific compliance risks relating to the manufacture and importation of plastic packaging that you believe may require bespoke compliance arrangements. The government would also welcome views on whether there are any aspects of the tax, particularly when verifying recycled content, where new compliance powers and/or enforcement measures may be appropriate e.g. the requirement to provide specific documentation.
- 10.11 HMRC will work closely with the industry to ensure that any compliance regime minimises the burden on compliant businesses, whilst providing important safeguards to tackle non-compliance, avoidance and evasion.
- 10.12 HMRC will minimise non-compliance by exploiting the data that it holds digitally to identify risks as they arise and giving customers the opportunity to correct their mistakes before they reach HMRC. Where there is non-compliance HMRC will respond accordingly. HMRC will also work closely with DEFRA and the Environment Agencies as they deliver a reformed Packaging Producer Responsibility system including to share data across government to minimise burdens and the risk of non-compliance.
- 10.13 The government welcomes comments on what other powers are necessary to administer and enforce the tax.

## **Penalties**

- 10.14 Penalties are applied to encourage taxpayers to comply with their obligations, to act as a sanction for those who do not, and to reassure the compliant majority that they will not be disadvantaged by those who do not

play by the rules. The government does not use penalties as a primary way of raising revenue, or to offset running costs, but to improve compliance.

- 10.15 The current tax penalties framework will be extended to include the plastic packaging tax. These include:
- inaccuracy in taxpayer's documents (such as returns) - (Finance Act (FA) 2007, Schedule (Sch.) 24)
  - failure to notify liability and other certain wrongdoing - (FA 2008, Sch. 41)
  - failure to make a return - (FA 2009, Sch. 55)
  - late payment of liability - (FA 2009, Sch. 56)
- 10.16 Available sanctions in other taxes include criminal prosecution, civil penalties and seizure of goods. The government is considering what penalties or offences would be necessary to administer the tax.
- 10.17 The government welcomes views from respondents on whether there are specific compliance risks relating to the manufacture and importation of plastic packaging that you believe may require specific penalty or offence provisions.

## **Risk of abuse**

- 10.18 In Chapter 8, the government has outlined the risk posed by business fragmentation in order to benefit from any de minimis. As the plastic packaging sector in the UK is dominated by large manufacturers, it would be uneconomical for these businesses to fragment but there will be additional provisions in place. The current proposal is to adopt similar anti-fragmentation measures to those which prevent abuse of the 'Small Brewery Beer' relief.
- 10.19 These provisions would ensure that all connected companies (using the 'connected persons' definition set out in section 1122 of the Corporation Tax Act 2010) are treated as a single entity when determining whether they are able to benefit from the small producers' exemption/de minimis.
- 10.20 As outlined above, HMRC is considering ways of ensuring the compliance of importers, including the option of using UK based agents for non-established taxable persons. These agents act in their own name, as if they were the importer and the UK supplier of goods to the final customer. The agents have joint and several liability with the importer and will be required to conduct their own due diligence to ensure that the importers they represent have suitable records to prove the recycled content of their products.
- 10.21 The government will consider additional ways to ensure domestic producers and importers are able to comply with their obligations and minimise the risk of fragmentation, mis-declaration and evasion and welcomes comments on this.



## Questions

- 10.22 Proposed registration and reporting requirements for the tax will be set out in further detail during future technical consultation, but the government intends to use similar compliance powers as with other taxes, while sharing intelligence with the Environment Agencies. The government intends to align reporting requirements closely with existing record keeping where it is sufficient, but will consider additional measures that could help to ensure compliance.
- 38 Is the government's suggested approach to compliance proportionate and appropriate? If not, please outline any scenarios that you anticipate may require bespoke compliance powers or penalties?
- 39 Are our anti-abuse proposals sufficient to tackle the risk of fragmentation (abuse of the de minimis or universal relief) from UK based plastic producers?
- 40 Is our approach regarding assuring the accuracy of declared recycled content appropriate? If not, please share any other suggestions you may have.
- 41 Do respondents believe that using UK based agents for non-established taxable persons may help support compliance?
- 42 Are there any further compliance risks that have not been addressed in this chapter, please provide details?

# Chapter 11

## Understanding commercial practices

- 11.1 The government wants to consider the context in which this policy would operate, including information about how the plastic packaging sector operates in the UK and how it will be affected by the tax. This will enable us to design the tax in a way that works most effectively.
- 43 If you are a business, what is your annual turnover?
  - 44 Are you currently obligated under the Packaging Producer Responsibility system?
  - 45 If you manufacture or handle plastic packaging, which sector(s) do you provide it to?
  - 46 If you manufacture or handle plastic packaging, can you please provide an overview of the types of plastic packaging products as well as the tonnages and the levels of recycled content in each? Do you expect this to change over the next 5 years?
  - 47 If you manufacture or handle plastic packaging, how much of this packaging is produced domestically, exported and/or imported?
  - 48 If you process or handle recycled plastic, do you export or import any? If so, how much, and where from/to?
  - 49 If you manufacture plastic packaging, can you please provide an overview of the prices of some of your plastic packaging products. Can you also provide information on how these costs break down according by material costs, labour costs, other operating costs and profit?
  - 50 If you manufacture or handle plastic packaging, can you please describe how plastic packaging prices fluctuate? How much do prices vary, and what are the main causes, e.g. fluctuations in exchange rate, oil and other commodity prices, etc.?
  - 51 If you manufacture or handle plastic packaging, how long does it take you (in months) to increase the recycled content of your product? What factors are important in determining this length of time?
  - 52 If you manufacture or handle plastic packaging, would the tax incentivise you to speed up any current plans to increase recycled content? To what extent? How quickly?
  - 53 If you manage waste, how long would it take you to set up the systems required to supply more plastic waste for recycling/recycle more plastic? How much could you produce?

- 54 If you manufacture plastic packaging, how would the tax affect the amount and price of product you produce? In cases where you weren't able to increase recycled content, would you pass the price of the tax down the supply chain?
- 55 Is there anything else you would like us to note about how your business operates and how you think it would be impacted by the tax?

# Chapter 12

## Assessment of other impacts

- 12.1 The government wants to consider any other unintended impacts on others, whether individual consumers, local authorities or others. It is not currently anticipated that this measure will have adverse impacts on any group with protected characteristics under the 'Equality Act 2010'<sup>1</sup>, and the government will continue to assess this during the policy development process.
- 56 Unless already covered in your responses to other questions within this document, is there anything else you would like us to note about the impact of the tax, especially any potentially adverse impacts on groups with protected characteristics?

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<sup>1</sup> Age, disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

# Chapter 13

## Next steps

- 13.1 After this consultation closes on 12 May 2019 the government will analyse the responses received. Responses to this consultation will be considered alongside the findings of the consultations on the Packaging Producer Responsibility system, a Deposit Return Scheme for drinks containers and consistent waste collection.
- 13.2 The government intends to publish a summary of responses within 12 weeks of closing.
- 13.3 The government will set out its next steps at Budget 2019 once it has considered the responses in detail. HMRC will publish a technical consultation on the tax at a later date and will publish draft legislation for consultation in 2020.

# Chapter 14

## Summary of questions

14.1 Below is a summary of all the questions on the plastic packaging tax.

- 1 What is your name?
- 2 What is your email address?
- 3 Which best describes you? Please provide the name of the organisation/business you represent and an approximate size/number of staff (where applicable).

(Please tick only one option. If multiple categories apply to you please choose the one which best describes you and which you are representing in your response.)

- Business representative organisation/trade body
- Packaging designer
- Packaging manufacturer / converter
- Product manufacturer / pack filler
- Distributor
- Retailer
- Waste Management Company
- Reprocessor
- Local government
- Community group
- Non-governmental organisation
- Charity or social enterprise
- Consultancy
- Academic or research
- Individual
- Other
- If you answered 'Other' above, please provide details

- 4 Please provide any further information about your organisation or business activities that you think might help us put your answers in context.
- 5 Would you like your response to be confidential? If yes, why?
- 6 Do you agree with the government's suggested approach to defining plastic in scope of the tax?
- 7 Do you agree with the government's suggested approach to defining packaging and packaging materials in scope of the tax?
- 8 Is the government's approach to components of plastic packaging consistent with the way businesses operate and packaging is created?
- 9 Which of the above options for defining plastic packaging for composite material items do you think works better for the purposes of the tax?
- 10 Do you think alignment with reformed Packaging Producer Responsibility regulations is important for the purposes of the tax?
- 11 Do you agree with the government's suggested approach to defining recycled content for the purposes of the tax?
- 12 Are there any environmental or technical reasons to consider excluding any particular ways of recycling plastic?
- 13 Is there any way that the proposed approach to defining recycled content could encourage unintended consequences, such as wasteful manufacturing processes?
- 14 Do you agree with the government's preferred approach of a single threshold, and why? If not, what alternative would be better, and what are the risks associated with this? Please explain your answer and provide any supporting information and evidence.
- 15 Assuming a single threshold, do you agree with a 30% threshold for recycled content and why?
- 16 Are there any products for which it would be very challenging to increase the level of recycled content, and why? If so, please outline the effect of a tax on production decisions and consumption of these items.
- 17 Are there any products for which the use of recycled plastic is directly prohibited in packaging? If yes, please provide details on these products stating the relevant legislation and industry standards as well as the effect of a tax on production decisions and consumption of these items.
- 18 What evidence is currently held by liable manufacturers and importers on the levels of recycled content in their plastic packaging and how it might be able to meet the requirements of identifying recycled content levels?
- 19 If you are an importer of unfilled plastic packaging or plastic packaging material, what information do you hold on the recycled content? What controls or assurance do you have over the accuracy of this information? How might you influence the level of recycled plastic content?

- 20 Do you agree with the government's suggested approach of setting a flat rate per tonne of a plastic packaging product? Why?
- 21 Do you agree with the proposed points at which domestic or imported products would be liable for the tax? If not, at what point in the supply chain do you think the tax point should be and why?
- 22 Are there any situations where the proposed tax points would be administratively, practically or legally difficult? Please explain any adaptations that might be necessary.
- 23 If you are a business that produces or imports plastic packaging, how much of your yearly production, in tonnes, would you expect to be liable for the tax?
- 24 Do you provide (manufacture or import) plastic material which could be used as packaging without knowing the final use of the product? Is this a common occurrence?
- 25 Would you support extending joint and several liability for UK production, and for imports?
- 26 Please outline any issues in relation to routine wastage or spillage that may have an impact on the tax liability.
- 27 Do you agree with the government's initial proposal that the tax at import should only apply to unfilled packaging? If not, what would the effects be? What alternative would you prefer, and how would it work?
- 28 Do you agree with the government's suggested approach for crediting exports?
- 29 Do you foresee any difficulties in providing appropriate records to demonstrate that packaging has been exported?
- 30 Do you agree that the government should seek to exclude small operators? If yes, what would the risks be if the government didn't do this?
- 31 Would Option 1a, Option 1b or Option 2 best meet the government's objective of excluding small operators from the tax whilst ensuring the tax has a strong environmental rationale?
- 32 What factors should the government consider when setting a threshold (either on volume or turnover) or a relief? Do you have any suggestions for appropriate levels? If so, please provide an explanation for why you believe this is appropriate.
- 33 Would having a de minimis create any significant risks to the effectiveness of the tax at import (including, but not limited to, treatment of multiple imports from the same exporter/manufacturer/brand owner)? If yes, please provide evidence and suggest any additional legislative or operational countermeasures.
- 34 Do you anticipate any risks or issues that would arise from introducing a de minimis that aren't explored above? Please provide details.



- 35 Do you agree that the registration and reporting requirements outlined are appropriate? If not, please specify why.
- 36 Please provide details of the estimated one-off costs for registering with HMRC.
- 37 Please provide details of the expected one-off and on-going costs of completing, filing, and paying the return.
- 38 Is the government's suggested approach to compliance proportionate and appropriate? If not, please outline any scenarios that you anticipate may require bespoke compliance powers or penalties?
- 39 Are our anti-abuse proposals sufficient to tackle the risk of fragmentation (abuse of the de minimis or universal relief) from UK based plastic producers?
- 40 Is our approach regarding assuring the accuracy of declared recycled content appropriate? If not, please share any other suggestions you may have.
- 41 Do respondents believe that using UK based agents for non-established taxable persons may help support compliance?
- 42 Are there any further compliance risks that have not been addressed in this chapter, please provide details?
- 43 If you are a business, what is your annual turnover?
- 44 Are you currently obligated under the Packaging Producer Responsibility system?
- 45 If you manufacture or handle plastic packaging, which sector(s) do you provide it to?
- 46 If you manufacture or handle plastic packaging, can you please provide an overview of the types of plastic packaging products as well as the tonnages and the levels of recycled content in each? Do you expect this to change over the next 5 years?
- 47 If you manufacture or handle plastic packaging, how much of this packaging is produced domestically, exported and/or imported?
- 48 If you process or handle recycled plastic, do you export or import any? If so, how much, and where from/to?
- 49 If you manufacture plastic packaging, can you please provide an overview of the prices of some of your plastic packaging products. Can you also provide information on how these costs break down according by material costs, labour costs, other operating costs and profit?
- 50 If you manufacture or handle plastic packaging, can you please describe how plastic packaging prices fluctuate? How much do prices vary, and what are the main causes, e.g. fluctuations in exchange rate, oil and other commodity prices, etc.?

- 51 If you manufacture or handle plastic packaging, how long does it take you (in months) to increase the recycled content of your product? What factors are important in determining this length of time?
- 52 If you manufacture or handle plastic packaging, would the tax incentivise you to speed up any current plans to increase recycled content? To what extent? How quickly?
- 53 If you manage waste, how long would it take you to set up the systems required to supply more plastic waste for recycling/recycle more plastic? How much could you produce?
- 54 If you manufacture plastic packaging, how would the tax affect the amount and price of product you produce? In cases where you weren't able to increase recycled content, would you pass the price of the tax down the supply chain?
- 55 Is there anything else you would like us to note about how your business operates and how you think it would be impacted by the tax?
- 56 Unless already covered in your responses to other questions within this document, is there anything else you would like us to note about the impact of the tax, especially any potentially adverse impacts on groups with protected characteristics?

**HM Treasury contacts**

This document can be downloaded from  
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