Valpak
a Reconomy Group company

UK plastic packaging tax

The requirements

An introduction.

The UK Plastic Packaging Tax is a HM Treasury led initiative, which is expected to come into force in April 2022. This tax will apply a £200 per tonne flat fee to plastic packaging that contains less than 30% recycled content. It will directly affect plastic packaging manufacturers and importers in the UK.



Why is the tax being introduced?

The Government is introducing the UK Plastic Packaging Tax to incentivise businesses to use a greater proportion of recycled material in the production of plastic packaging and increase demand for this material. In turn, we should see an increase in plastic waste collection and recycling, diverting it away from landfill or incineration.

Affected businesses

The tax will affect UK-based manufacturers/converters or importers of plastic packaging. However, businesses that manufacture or import less than 10 tonnes of plastic packaging per year will be exempt.

Businesses that are not directly affected may see the cost of this tax passed down through supply chains.



Material thresholds and exemptions

A recycled content threshold of 30% will be applied on a per component basis to the majority of plastic packaging. Multi-material packaging, where plastic is the heaviest material, will also be taxable.

It is likely that some plastic materials will be exempt, such as medicine packaging, 'cellulose-based' material, imported transit packaging and non-transport packaging that is exported.



Determining recycled content and evidence

Obligated businesses will have to provide verifiable, valid evidence of recycled plastic content within their packaging in order to deduct this tonnage from their tax liability. Any pre-consumer recycled material must have been reprocessed at an accredited reprocessing facility in order to qualify as valid recycled content.

If legitimate evidence cannot be provided, it will be assumed that the plastic packaging contains less than 30% recycled content and it will be subject to the tax. It is therefore prudent for businesses that do not know recycled content levels to get in touch with their supply chains as soon as possible to determine if action is needed.



Reporting

Liable businesses will have to submit plastic packaging data quarterly to HMRC, with recycled content being measured on a per component basis. Businesses that convert or import multi-material 'plastic' packaging will need to report the total weight of that packaging.

Audit trails will be required to show total weights of plastic imported, the proportion of recycled content as a percentage of the total and any packaging that qualifies for exemption, including the date the packaging was imported, exported, or removed as a shipment designated for export.

Affected businesses will be required to complete online quarterly tax returns, which will be due at the end of April, July, October, and January each year, with the first return expected to be In July 2022. Tax payments will then be calculated from these quarterly declarations.

Data sources

Plastic packaging tonnages and recycled plastic content data will need to be gathered from suppliers on a per-component basis in order for a business to produce the quarterly declarations and mitigate its tax liability.

This data can be gathered from product specifications or bills of materials, supporting documentation from supply chains e.g., contracts and import documentation, or information can be requested from suppliers where this is not available.

Missing data and evidence from suppliers and using suppliers that cannot meet the 30% recycled content requirement, will directly contribute to the volume of tax a business is liable to pay.

Joint liability

The Government has recently run a short consultation on the possibility of joint liability for businesses that are handling packaging within a supply chain.

If you are not directly liable for the Plastic Packaging Tax (for example, you only UK source finished plastic packaging components) you may still be held liable for unpaid taxes if your supplier has failed to do so. It is likely the Government will expect businesses to conduct due diligence on their supply chains and know when plastic tax should and has been paid by suppliers.



Valpak support.

We can help businesses to meet the requirements of the Plastic Packaging Tax with our three-step service:

1. **Gather recycled content data from suppliers**

2. **Collect valid evidence from suppliers of recycled content in packaging components**

3. **Compile the data to help you submit compliant quarterly tax returns**



We are also offering an additional service, whereby our team of Consultants will assess and reduce your business's impact. **This will involve:**

- Identifying data gaps and chasing uncooperative suppliers that are causing your business to incur tax liability
- Identifying products that are incurring the highest tax costs and exploring alternative packaging arrangements
- Engaging with overseas suppliers to increase recycled content usage within their plastic packaging
- Using data gathered by Valpak to make strategic decisions on suppliers and packaging configurations to mitigate tax liability in the future

For more information please contact us.

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