Valpak Member Summary

UK Plastic Packaging Tax

Information correct as of 17th March 2022

Overview

The UK plastic packaging tax aims to improve recycling and reduce plastic pollution by taxing the use of plastic packaging that has little to no recycled content. The **Tax will apply at a rate of £200 per tonne to plastic packaging components manufactured in or imported into the UK from 1st April 2022 that do not have at least 30% recycled content within the plastic.**

UK based businesses performing a manufacturing function that creates finished components of plastic packaging, or businesses upon whose behalf finished plastic packaging components are imported will be liable to account for the tax.

The tax will be accounted for quarterly. Tax returns must be submitted to HMRC before the end of the month that follows the end of each financial quarter, meaning the deadline for the first plastic packaging tax returns will be 31st July 2022.

In order for a liable business to not pay the plastic packaging tax on any plastic packaging manufactured or imported after 1st April 2022, they must be able to present regulators with **valid evidence documentation** that confirms the plastic packaging components in question contain more than 30% recycled content by weight.

The tax **will apply atop any producer responsibility costs** liable businesses incur as a result of the Packaging Waste Regulations. In future, the tax will apply atop any cost liable businesses incur as a result of the reformed extended producer responsibility (EPR) packaging waste regulations or deposit return schemes (DRS) for single-use beverage containers.

Implementing regulations for the tax were published on 9th February 2022. They can be accessed **here**. Her Majesty's Revenue & Customs (HMRC) are provided powers to Implement the plastic packaging tax through section 42 to 85 of the Finance Act 2021, accessible **here**.

Scope

1. All packaging manufactured in the UK or imported plastic packaging and having passed customs checks prior to 1st April 2022 is not taxable.

2. Multi-material packaging components where plastic is the **heaviest material by weight** will in the scope of the tax. The 30% recycled content threshold will only apply to the weight of the component that is plastic. If the component uses less than 30% recycled content in the plastic fraction, the tax must be paid on the entire weight of the component.

3. **The tax will apply on a per component basis**, meaning **recycled content percentage cannot be calculated as an average of the recycled plastic content used across multiple components making up the packaging around a single sales unit**, except where plastic components only become packaging once combined together (e.g. component of a pump mechanism that forms a closure over a container).

4. In addition to primary and secondary packaging, the tax will also apply to:
   a. Plastic products typically used in **containing, protecting, handling, presenting or delivering goods in the supply chain**, regardless of whether those items are actually used within the supply chain or by a private consumer.
   b. **Single-use products designed to be used in a packaging-type function by consumers** in relation to any commodity or waste. Cling film, bin bags, carrier bags and party cups, for example.

Exemptions

5. The only material-specific exemption from the plastic packaging tax applies to plastic packaging made of **cellulose-based material** that has not been chemically modified.

6. There are a number of use-specific exemptions to the plastic packaging tax:
   a. **Packaging in direct contact with human medicines** licensed to be placed on the UK market (licensed by the MHRA).
   b. **Items containing goods at the point of sale that provide a long-term storage function.** This is a very exemption to that which applies under the current Packaging Waste Regulations, where 'durable' packaging capable of containing non-perishable/non-consumable products for 5 yrs+ are exempt.
   c. **Items that are integral to the proper functioning of the good it contains**, for example printer cartridges, room deodoriser casing or cigarette lighters.
   d. **Items designated to be re-used for the presentation of goods to consumers**, for example display shelving.

7. There is no exemption for food contact material, packaging in immediate contact with a medical device or packaging used to transport dangerous or hazardous substances.

8. The **tax will not apply to reusable plastic tertiary/transport packaging that predates 1st April 2022**. The tax will only apply to plastic tertiary/transport packaging that is produced in the UK from 1st April 2022 that contains insufficient recycled content.

9. Transport packaging that surrounds goods being imported into the UK will be exempt from the Tax. Any packaging that is imported into the UK with the intention of being used as transport packaging but is not performing that function at the point of import will be taxable if it does not contain 30% recycled content.

10. **Tertiary/transport packaging**, defined as *'packaging conceived so as to facilitate the handling and transport of a number of sales units or grouped packagings in order to prevent physical handling and transport damage* ' **in use around goods being imported into the UK will to be exempt** from the tax. Any packaging that is imported into the UK with the intention of being used as transport packaging but is not performing that function at the point of import (e.g. pallet wrap on the roll, yet to be used) will be taxable if it does not contain 30% recycled content.

11. Packaging that fails to reach the consumer after passing the tax point, for example due to failing to pass quality checks, will not be exempt, this is because it will have passed the tax point, i.e., its last substantial modification.

Who is liable?

12. Businesses that have manufactured or imported **less than 10 tonnes of plastic packaging over the previous 12-months and do not expect to over the next 30 days will be exempt** from registering with HMRC and making tax returns (where applicable).
    a. Packaging in immediate contact with medicines and packaging permanently set aside for a non-packaging use are **exempt from the tax but must be included** when calculating the total weight of packaging manufactured or imported.
    b. Transport packaging used to import goods into the UK as well as products falling into exemptions (see points 8b, c and d) **should not be factored in when calculating the amount of plastic packaging manufactured or imported** to determine if your business is liable to register with HMRC and will need to account for the tax.

Note: On 1st April 2022, businesses that expects to meet or exceed the 10 tonne threshold will be liable to register with HMRC from the date you had reason to expect you would reach the threshold. They will have 30 days to register. They will have to account for the tax due any liable plastic packaging they have Imported or manufactured from the day they exceeded or developed the expectation that they would exceed the 10-tonne

threshold. If this is not the case, the date from which a business forms the expectation that they may meet and exceed the threshold across the next 30 days must register with HMRC, within 30 days. The business should keep a record of how they worked out they needed to register. They must pay the tax on all chargeable plastic packaging components from the day they're liable to register.

13. A group of companies can appoint a single UK-based representative to submit returns and make payments on liable businesses in that group. **Only members of a group whose individual plastic packaging manufacture or import activities see them exceed the 10-tonne threshold, will need to register. The 10-tonne threshold is not shared between the group.** Subsidiaries of a larger corporate group whose individual plastic packaging activities place them under the 10 tonnes threshold need not register individually or as part of the group, though HMRC will expect these businesses to keep up to date records of their plastic packaging data to ensure they correctly identify if they ever become liable for the plastic packaging tax.

14. There is **nothing preventing liable manufacturers or importers from passing the costs** of the tax down the supply chain. Where suppliers attempt to pass the cost of the tax onin the form of higher prices, VAT would effectively be being charged on the tax. **Liable businesses will need to state how much tax they have paid on invoices to business customers**, though this requirement will not come into effect on 1st April 2022, with a further industry consultation expected on the timing of this requirement following the tax's implementation.

Tax Point for UK Manufactured Plastic Packaging

15. UK produced packaging components will become **taxable once 'finished', following their last substantial modification**, regardless of if waste material remains attached. The UK-based **business performing the last substantial modification of plastic into a finished item of packaging will be liable** to register with HMRC and make tax payments.

16. Where a packaging component only becomes finished when it is packed/filled, the party carrying out the last substantial modification on the packaging before it is filled will be liable to pay the tax.

17. **Blowing a preform, cutting (including perforating), sealing and labelling will not count as substantial modifications.** As a result, the business performing the manufacturing action prior to these actions will be the liable party (e.g. manufacturer of the preform bottle).

Tax Point for Imported Plastic Packaging

18. **Imported plastic packaging becomes taxable once it passes customs** checks and can be freely circulated throughout the UK. **The business on upon whose behalf it is**

imported will be liable to register with HMRC and account for the tax. Non-UK based businesses having plastic packaging imported on their behalf will need to register with HMRC or appoint a UK-based tax representative.

19. Any taxable packaging under customs control for the entire time they are in the UK and then exported will not trigger the tax to be charged. Plastic packaging entering the UK for personal/non-business use (personal item or via the postal service) will not trigger the tax.

Exporting Plastic Packaging

20. Businesses that have taxable plastic packaging imported into the UK on their behalf will not be liable to pay the tax where they **declare to HMRC an intention to export the packaging** in question out of the UK within the 12 months of the packaging being manufactured in or imported into the UK. Should this 12-month deferral period lapse, or where the business declares to HMRC that items previously intended for export are no longer intended to be exported, the tax becomes due.

21. The business liable for paying the tax on primary or secondary packaging that is subsequently exported from the UK, be it directly by themselves or by a business they supply, will be able to **claim a credit for the tax previously paid, or net it off a plastic packaging tax return being made to HMRC in the same quarter**. Any plastic packaging tax paid on exported items can be claimed back up to 2 years from the date that a business initially manufactured or imported the packaging in question. Claims must be able to be backed up by evidence documentation of the export.

22. Tax credits cannot be claimed on exported tertiary plastic items which the tax was due on.

Recycled Content and Evidence Provision

23. **All plastic packaging will be presumed to contain less than 30% recycled material unless it can be proved otherwise** by the liable business with satisfactory evidence. Types of evidence documentation that could be used include, but are not limited to, production specifications, contracts to supply, certificates of conformity assessment, purchase orders, sales invoices, accreditations or internationally recognised standards and information from quality assurance audits.

24. For imported plastic packaging, liable businesses will need to provide HMRC with **documents obtained from overseas manufacturers**.

25. Evidence of recycled content or an entitlement to an exemption will need to be kept by liable businesses and **reported to HMRC upon request, it will not need to be provided during quarterly reporting. It is not yet known whether HMRC will ask for evidence documentation at regular intervals.**

26. Both 'pre' and 'post-consumer' plastic waste can be used as a source of recycled content. Pre-consumer waste will only be considered recycled material if it has been **reprocessed by a reprocessing facility. Plastic scrap recovered from the same production line that is to be reused within will not count as recycled content.**

Exporting Plastic Packaging

27. Any **tax due on UK-produced primary and secondary packaging that is subsequently exported out of the UK will be relieved** and refunded back to the business that paid the tax. The tax may not be due if this packaging has been destined for export since its production. Transit packaging produced in the UK on or after 1st April 2022 that is taxable but is then exported will not be relieved.

Registration and Reporting

28. Businesses producing or importing plastic packaging after April 2022 must register with HMRC upon the opening of their online tax returns portal on 1st April 2022. **Liable businesses must be registered by the last day of April 2022.**

29. Businesses will be required to submit **quarterly tax returns** online, detailing the tonnages of plastic packaging they have manufactured and/or imported, how much tax is due and the tax liability of the packaging.

30. Whilst registered, liable businesse will need to **hold evidence of the following or evidence that they or a competent third party can obtain evidence of**:

- **a.** The total weight of all plastic packaging manufactured in and imported into the UK, excluding packaging used to transport imported goods and any imported packaging that has not yet passed customs checks, i.e. entered free circulation.
- **b.** The proportion of recycled plastic as a percentage of total plastic by weight
- **c.** Information regarding how that percentage was calculated
- **d.** The source of recycled plastic feedstock (if applicable)
- **e.** Whether the packaging is predominantly plastic by weight
- **f.** Evidence regarding how the packaging meets the conditions for an exemption, If applicable
- **g.** The date the packaging was manufactured, imported into free circulation, exported or removed as a shipment designated for export.

31. Whilst corrections to tax returns can be made up to 2 years after the deadline for the return, late payment interest will be due where a return is corrected and payment is made after the due date for that return. Late payment interest will be charged from the due date for the payment to the date of payment. The interest will only be charged on the amounts that are outstanding after the due date for the payment. Penalties may be charged if there is evidence that the correction is the result of careless or deliberate behaviour