# Plastic Packaging Tax: CIOT response

**Indirect Tax**

01 July 2019

The CIOT responds to the Plastic Packaging Tax consultation.

## Background

We reported in our April edition that HM Treasury had published its consultation on the proposed plastic packaging tax, first announced by the Chancellor in Budget 2018.

The new plastic packaging tax will become effective from April 2022, directly impacting manufacturers and importers of plastic packaging, which will result in increasing costs for business customers and ultimately consumers.

The primary aim of introducing the tax is to change behaviour from using new single use plastic packaging to increasingly using plastic packaging with recycled content. As the latter is currently more expensive, the tax aims to discourage use of new plastic packaging thereby making product with recycled content a more attractive option.

## The CIOT's response

The CIOT's main concerns were as follows:

Simple administration – we would like to see the administration of the tax as straightforward as possible, such as by having a single rather than multiple thresholds and a flat rate per tonne, assuming that manufacturers and importers can easily identify the mass.

Tax points – we would like the rules on tax points for domestic sales to be simple to determine, e.g. the tax point would follow the tax point for import VAT and customs duty and also for the tax to be deferred on imports where they are imported into

warehousing arrangements. Also, the tax point needs to be clear for supply chains where there are multiple parties providing plastic packaging.

Joint and several liability – we remain cautious on the introduction of joint and several liability for businesses and agents in the supply chain, as this will bring additional administrative and financial burdens to the supply chain.

Exported product – as the tax is intended to be levied on plastic packaging with insufficient recycled content used in the UK market, we agreed that it is appropriate to relieve exported plastic packaging from the tax. If an inward processing relief was available that removes the liability to the tax upon re-export, this may be a deterrent for UK businesses who fill plastic packaging with product in the UK, to buy plastic packaging domestically, as filled packaging would not normally qualify for an export credit.

Simplifications for small businesses – we support measures that exclude small businesses from the impact of the plastic packaging tax, and where a de minimis threshold is introduced, such measures should be simple to monitor and adhere to. We would like to see small businesses that are not registered for VAT exempted from the tax.

Fair and reasonable enforcement – we would like the measures introduced for compliance to be proportionate.

Relief from the tax – where packaging is intended for re-use, for example where used for high value components, we asked whether there would be reliefs from the tax to encourage this behaviour.

The full CIOT response can be found on the CIOT website.

Please send any further feedback to technical@ciot.org.uk.