Landfill tax consultation: improving clarity and certainty for taxpayers

Indirect Tax

01 October 2016

The CIOT has responded to HMRC's consultation; supporting the main aims but raising concerns about definitions.

Announced in Budget 2016, this consultation sought views on HMRC's proposals to amend the definition of a 'taxable disposal' of waste at a landfill site, with the aim of clarifying the scope of the tax and mitigating uncertainty for all.

This has been a particular issue for the waste disposal sector since landfill tax legislation and guidance changed in 2009 as a result of HMRC's reaction to the Upper Tribunal's decision in *Waste Recycling Group Limited* [2008] EWCA Civ 849.

The CIOT welcomes HMRC's commitment to simplify the landfill tax rules, and our response to the consultation can be found on the CIOT website.

We support the main aims of the proposal but have expressed concerned that, by limiting its consideration to exemptions based on existing guidance, there is a risk of continued confusion and the potential for continuing challenges.

We have highlighted that, ideally, the terminology and areas of engineering works qualifying for future relief will be aligned as far as possible to current environmental regulation and industry practice. Adequate definitions will be necessary to specify what landfill site works will qualify for exemption.

The consultation also seeks to remove the potential for waste classified as hazardous to qualify for lower rating landfill tax. The CIOT agrees that, in principle, all hazardous waste should be subject to the standard rate of landfill tax.

We believe that, for environmental taxation to be fully effective in changing behaviour, there must be clear objectives of what an environmental tax is intended

to do. We have previously raised concern that there is a lack of clarity around the general direction of environmental tax policy. For this reason, we call on the government to put in place an environmental tax framework.