Plastic packaging tax: consultation on chemical recycling and adoption of a mass balance approach

Indirect Tax | Environmental



22 November 2023

Plastic packaging tax was introduced in the UK on 1 April 2022, to encourage the creation and use of plastic packaging containing a minimum of 30% of recycled content. As plastic packaging products containing recycled content were more expensive than virgin plastics, the application of plastic packaging tax to products with low or no recycled content contributed to levelling competition on price, making products meeting the recycled content threshold more attractive.

Currently, recycled plastic sourced from a mechanical reclamation route can be used to evidence that plastic packaging meets the 30% plastic packaging tax (PPT) relief threshold test. However, recycled content derived via this method cannot meet the strict requirements for certain food and pharmaceutical packaging, where virgin plastic must be used. These sectors can obtain product containing recycled content via chemical recycling, but it is difficult to evidence the levels of recycled and virgin

product from this process.

HMRC have consulted on whether it is viable to identify the percentage of recycled content for plastic packaging derived from a chemical processing method via a mass balance approach. If so, more sectors could benefit from PPT relief as they would be able to prove that the recycled plastic content in their packaging meets the 30% threshold test, where they meet the evidence tests.

Although many consultation questions were quite scientific and aimed at experts within the chemical and recycling sectors, CIOT representatives attended a roundtable meeting with HMRC and industry specialists in September, to discuss the consultation questions. The industry specialists commented that it had been useful to have tax specialists present at that discussion to understand how the chemical recycling evidence and tax administration could interact. The CIOT also submitted a written response (www.tax.org.uk/ref1180) responding to questions that considered how a mass balance approach would impact the application and administration of PPT.

The CIOT agreed in principle that qualifying plastics derived from chemical recycling should be able to qualify for PPT relief. We also commented that if a mass balance approach is introduced for chemical recycling, the data obligations for tax compliance must be straightforward for a business to obtain and that HMRC may also wish to consider in what circumstances, if any, estimation may apply. If an industry certification scheme is used, the most administratively straightforward position would be that such documentation can be used to evidence the PPT relief requirements. We received member feedback that at current PPT rates, it can cost businesses more in resourcing costs to carry out all of the administration requirements for PPT than to just pay the PPT itself, even though their product qualifies for full PPT relief. Therefore, we said that we would like any new methods of determining recycled content to be straightforward for businesses to evidence.

The CIOT also recommended that HMRC introduce a long term PPT rate plan, including for the mass balance approach, to provide businesses with certainty, as this too will impact investment in the UK. This has been successful for other taxes; for example, landfill tax.

Jayne Simpson *jsimpson@ciot.org.uk*