

UK Plastic Packaging Tax

fdf member update

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a Reconomy Group company

Agenda

1. Where are we in the implementation process?

2. Recap of the Core Aspects of the Tax

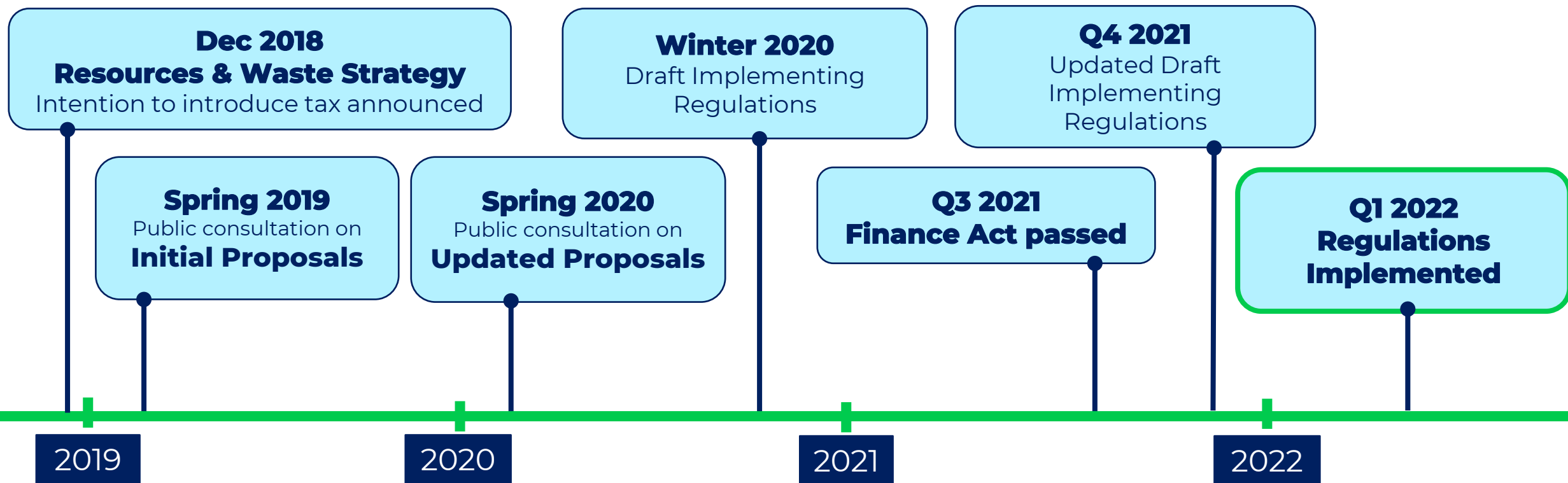
- Scope
- Evidencing recycled content
- Which businesses will be liable
- Exemptions & Exporting
- Making returns to HMRC

3. Q & A Session



The State of Play

Where are we in the tax's implementation process?



The Basics

Concerns plastic packaging manufactured or imported into UK from 1st April 2022 onwards

30% recycled content threshold, applies to each component

- 30% can't be averaged across multiple packaging components
- ✓ Composite materials where plastic is heaviest material

£200/tonne tax on packaging with less than 30% RC

- Quarterly payments to HMRC, starting 1st July 2022

Once implemented, the tax applies on top of any current packaging producer responsibility costs

- In future, the tax applies atop producers' EPR or DRS costs
- HMRC's revenues not being ringfenced



Recycled Content

Use of recycled content must be evidenced with valid documentation

- Production specifications, contracts, certificates of conformity, purchase orders, sales invoices, accreditations, quality assurance audits
- Both pre and post consumer plastic can be used as recycled content

Obtain documents or hold information that you/competent 3rd party has a robust supply chain audit to get these documents upon HMRC request

Plastic must have been reprocessed to count as 'recycled content'

- Recycling facility does not have to be separate, nor accredited
- Both pre and post consumer plastic can be used as recycled content
- Plastic reused in the same process from which it was collected as scrap will not count as recycled content

Evidence must state weight of recycled plastic in example component vs. weight of all plastic used in the component

- OR weight of plastic inputs, divided by number of components



Who is liable?

1. UK manufacturers producing 'finished' packaging

- Liability rests with who performs the 'last substantial modification'

2. Business upon whose behalf packaging is imported for

- HMRC confirmed liability for PPT will be consistent with existing import arrangements (e.g. where goods are transported under 'Incoterms')

Businesses manufacturing/importing less than 10 tonnes of any plastic packaging are not required to pay the tax

Groups of Companies

Only businesses within a group whose **individual plastic packaging activities exceed 10 tonnes** will need to register and account for PPT (either collectively or separately)



What packaging is taxable?

Plastic packaging components become taxable once **'finished'**

- Following last substantial modification << what is that?
- ✓ Extrusion, Moulding, Layering, Forming and Printing
- ✗ Blowing a preform, Cutting, Labelling or Sealing

“Products designed to be capable for use within the supply chain in the containment, protection, handling, delivery or presentation of goods are will be taxable, regardless of whether they’re used in the supply chain or by consumers”

- Scope of the tax extends beyond packaging in scope of packaging waste regulations

Single-use items to be used in a packaging type function

- E.g. carrier bags, sandwich bags, refuse sacks, plastic cups



Exemptions (1/2)

Packaging made in UK or imported, clearing customs checks prior to April 1st 2022 will not be taxable

Unmodified cellulose-based material exempt

Use-specific exemptions apply to:

- Packaging in direct contact with human **medicines**
- Items containing non perishable/consumable goods at point of sale that **preserves** them throughout life (i.e. durable packaging)
 - Toolboxes, CD cases, glasses cases
- Packaging **integral to the use** of the good it contains
 - Printer ink cartridges, room deodorisers, lighters
- Re-usable items **designated for presentation** of goods



Exemptions (2/2)

Transport packaging in use around imported goods

- Packaging facilitating handling/transport and prevents damage of a number of sales units or grouped packagings
- Transport packaging imported not in use is taxable

Tax due on **exported primary and secondary** packaging will be relieved or refunded

	Primary	Secondary	Tertiary
Within the UK before 1 st April	No	No	No
Produced in UK after 1 st April	Yes	Yes	Yes
Imported into UK after 1 st April	Yes	Yes	No if in use
Taxable but then exported from UK	Refunded	Refunded	Not refunded



Exporting Plastic Packaging

No PPT due on items produced/imported which meet **direct export condition**

1. Packaging is to be exported within 12 months of being produced/imported, and
2. Have been intended for export at all times since its production/import

PPT becomes due if packaging isn't exported within your 12 month 'deferral period'

- Credits can be claimed up to 2 years after initial manufacture/import for exported items that PPT was paid on, **except for taxable tertiary plastic packaging**

Liable business must **declare the weight of all non-exempt packaging manufactured/imported during the relevant quarter, even if tax is not due**

- E.g. packaging that has over 30% RC or due for export

Businesses claiming a credit can **offset** it against a future PPT liability

- You will need to hold evidence that backs up a claim to any credit/offset



Making a Tax Returns to HMRC

Information to include on Quarterly Submission

- 1. Total weight of plastic packaging imported & manufactured in the quarter**
 - Packaging imported/manufactured in the quarter, factoring in
Do NOT INCLUDE *transport packaging around imported goods, transport stores etc.*
 - Components to which direct export condition no longer applies
- 2. Total weight of plastic packaging the tax isn't due on**
 - E.g. has >30% recycled content immediate medicine packaging
 - Plastic packaging produced/imported that is intended for export by your business
- 3. Total value of tax credits being netted off your payment**
- 4. Amount of tax being paid**

Agents can be used to submit returns

Corrections can be made within 2 years of due date of the return



Making Returns to HMRC

Information to hold in case of an HMRC audit

Evidence documentation must be able to show how you arrived at the figures included in your tax returns (including source of the recycled plastic)

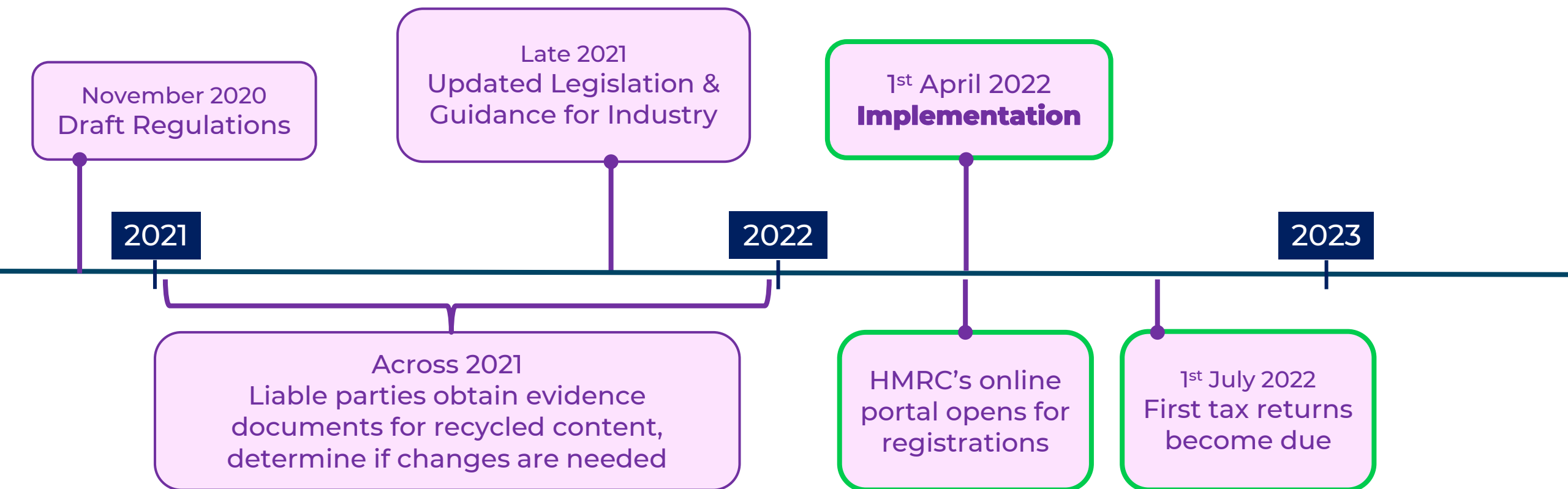
For this you will need:

1. Break down by weight of plastic packaging components manufactured or imported
2. The weight of plastic packaging exported **on which the tax was previously deferred**
3. A breakdown by weight of any plastic packaging for which a credit is claimed
4. Any adjustments or corrections to previous accounting periods



Plastic Packaging Tax

Remaining Timeline



What is still to be determined?

Mass balance: will chemically recycled feedstock count as RC?

- Further industry engagement expected

When will B2B invoice declaration requirement come into effect?

Will the 30% threshold, £200 levy be raised over time?

What will be considered as good practice in relation to businesses checking their suppliers are compliant?

“HMRC does not provide a list of checks that must be carried out”

- Checking docs/liability at least every 12 months at a minimum

HMRC's audit plans – random or systematic?

<https://www.gov.uk/government/collections/plastic-packaging-tax>



Thank you

Upcoming Valpak Webinars for FDF Members

Thursday 24th March: DRS Update

Questions?

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