



The Plastic Packaging Tax

HOW WILL IT AFFECT YOU?





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It reflects the opinion of Cambrian Packaging as of September 2021 and is a general summary of the Plastic Packaging Tax in England and Wales. It does not constitute legal advice.

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Background to the tax

Over the last few years there has been increasing consumer pressure on brands to take a more environmentally sustainable approach to plastic packaging.

There is a public perception that plastic is a problem which contributes to landfill and negatively impacts waterways, the ocean and the creatures which live there. In July 2021, [The Guardian](#) reported calls for a global treaty to phase out the production of virgin or new plastic by 2040.

Consumers are constantly being told about plastic pollution and the pressure is on to create a circular economy, incentivising reuse and refill approaches to eliminate large amounts of plastic pollution. It might even get to the point where producers of plastic are required to contribute to help fund clean-up operations in some countries.

What approaches are needed to tackle the “plastic problem”?

- The development of strong regulatory framework
- Investment in more waste collection and management infrastructure
- Education and change in consumer behaviour
- Development of plastic with recycled content

IMPORTANT! It is vital to note the definition of ‘components’, see [page 8](#) for an explanation of this term.

That’s where the Plastic Packaging Tax comes in...

The Plastic Packaging Tax will impose a levy of £200 per tonne on all plastic packaging components that do not contain at least 30% recycled material.

The proposal for such a tax was first announced as part of the government’s Resources and Waste Strategy 2018/19 and is the first UK tax of its kind. The tax has been through many of the legislative stages and after passing into law will take effect from 1 April 2022.

When does the tax go live?



April 2022

The tax will apply to plastic packaging manufactured in, or imported into, the UK where the plastic used in its manufacture is less than 30% recycled.



£200
per tonne rate

EACH YEAR
3%
of worldwide plastic waste ends up in the oceans



The largest proportion of plastic waste comes from packaging materials

47%

FEATURED FACT:
The rules surrounding the tax are subject to change until the primary and secondary legislation become law. The secondary legislation will be introduced later in 2021 and more guidance will be published then.

Main aims and challenges

The tax is intended to help increase the use of recycled content in packaging. The government anticipates that the tax will provide a commercial incentive for companies to choose packaging that contains recycled material over virgin plastics.

Possible benefits

- Reduction in potentially recyclable waste being sent for incineration or landfill.
- Increased demand for recycle to underpin the commercial action necessary.
- Facilitating significantly increased levels of plastic waste collection and recycling, therefore availability of recycled material.

Possible challenges

- Consumers still need to be educated around responsible behaviour that supports recycling, essentially making littering socially unacceptable.
Initially at least, recycle availability levels are likely to hold back swift progress.
Potential increased costs on recycled material
- reducing uptake.

The £200 rate applies to a single plastic packaging component, such as bottles, lids and triggers, meaning each of those things must contain 30% recycled plastic in order to avoid the tax.

Who will be affected by the tax?

According to HMRC’s policy paper ‘[Introduction of Plastic Packaging Tax from April 2022](#)’ (dated March 2021) the tax will affect: “**UK manufacturers** of plastic packaging, **importers** of plastic packaging, **business customers** of manufacturers and importers of plastic packaging, and **consumers** who buy plastic packaging or goods in plastic packaging in the UK.” For example, this includes if you were importing plastic bottles containing liquid goods.

While many users of plastic packaging (such as contract fillers) will not be liable to pay the tax as they are out of scope, the tax does add to costs borne by importers and manufacturers. Dependent upon the policy of companies in the supply chain, this extra cost may be passed on, resulting in revised pricing.

When does the tax not apply?

- If you manufacture and import less than 10 tonnes of plastic packaging per year, you will be exempt from liability for the tax.
- The tax will not apply to any plastic packaging which contains at least 30% recycled plastic, or any packaging which is not predominantly plastic by weight.
- For the full list of exemptions [click here](#).

Who will be liable to pay the tax?

Where the chargeable plastic packaging component is manufactured in the UK, the person liable to pay the tax is the **UK manufacturer** of the plastic packaging component.

Manufacturers are defined in draft legislation as companies that carry out the ‘last substantial modification’ to a packaging item. Actions include changing the shape, structure, thickness or weight of a plastic packaging item.

Filling, labelling and sealing is not considered to be a qualifying substantial modification.

Where a chargeable plastic packaging component is imported into the UK, the person liable to pay the tax is the **person on whose behalf the plastic packaging component is imported**.

What will manufacturers and importers need to provide?

The estimated 20,000 manufacturers and importers of plastic packaging will have to fund staff training, registration with HMRC, and develop the required reporting framework to complete tax returns.

KEEP IN MIND:

Even if you don't pay the tax, it is good practice to keep records. Businesses who manufacture or import less than 10 tonnes of plastic packaging a year will also need to keep records; this is because plastic packaging will be assumed to not meet the 'recycled content test' unless it can be shown that it does.

When the tax must be paid, plastic packaging suppliers, such as Cambrian, must include with the invoice a statement of the amount of plastic packaging tax arising in relation to that component. This is known as a "PPT statement". **UPDATE (October 14, 2021): Please see page 12.**

Businesses will need to demonstrate how much recycled plastic is in the packaging they manufacture or import, whether any exemptions apply, and provide evidence of this.

Keeping accurate records will help to avoid the possibility of being held liable for any unpaid tax yourself. This is because the tax liability can be placed on other companies within the supply chain. It is one of those cases where if it can be proven that the company "knew or had reasonable grounds to suspect" that the tax had not been accounted for, they could be held liable. Businesses must ensure they take "reasonable steps" to verify that payment was made.

Currently it is understood that records must show:

- the total amount in weight and a breakdown by weight of the materials used to manufacture plastic packaging, excluding packaging which is used to transport imported goods
- the data and calculations used to determine if a packaging component is, for the most part, plastic and how much recycled plastic it contains
- the weight of exempted plastic packaging and the reason for the exemption
- the amount in weight of plastic packaging exported, and therefore the allowed relief from the tax

Read more detailed information [here](#).

Further information on what records will need to be kept will be published in due course, and it is anticipated that businesses which fall under the 10 tonnes of plastic threshold (de minimis) will need to submit a reduced set of records.

FEATURED FACT:

The manufacturer or importer of plastic packaging must provide evidence to customers that the Plastic Packaging Tax has been paid on items that are within scope, irrespective of which entity is the taxpayer. This evidence is likely to take the form of a PPT statement issued along with invoices; fine details are to be confirmed. Purchasers of plastic packaging should retain this information, should proof ever be requested.

Do you need to register for the tax?

Businesses that manufacture or import 10 or more tonnes of plastic packaging over a 12-month period will need to register – regardless of whether or not they actually need to pay any tax!

The online service to register and pay will be available on April 1, 2022, the same day the tax takes effect. You must notify HMRC that you are liable to register by April 30, 2022. Payments/returns can be submitted online in quarterly submissions.

Can you register as a group?

Businesses who are part of a group of companies and want to simplify the admin and payment of the Plastic Packaging Tax will be able to appoint a representative member of the group to submit returns and pay the tax for the whole group but there is an inclusion within the legislation to prevent tax avoidance by claiming de minimis exemption.

An update on this aspect is expected to be published later this year.

What about exporting goods?

If your business has goods which contain plastic packaging and they are intended for export, you can actually defer paying the tax for up to 12 months from the point of manufacture or import.

The guidance states: "You will not have to pay the tax if the goods are exported within that 12-month period. You may also be able to credit the tax you have become liable for, where packaging is exported."

Just ensure you keep immaculate records, should you need to claim.

Descriptions of the various definitions of plastic can be found in the column to the right and below.

"Pre-consumer plastic"

Plastic that is — (a) recovered from waste generated in a manufacturing process, and (b) processed by a reprocessing facility, but does not include plastic that is reused in the same process in which it was generated as scrap and from which it was recovered.

"Post-consumer plastic"

Plastic — (a) that is generated by households or by commercial, industrial or institutional facilities in their role as end-users of the product, and (b) that can no longer be used for its intended purpose. This includes returns of plastic from the distribution chain.

Plastic

"Material consisting of a polymer, other than a cellulose-based polymer that has not been chemically modified, to which additives or other substances may have been added".

Recycled Plastic

"Plastic that has been reprocessed from recovered material by means of a chemical or manufacturing process, other than organic recycling, so that it can be used either for its original purpose or for other purposes".

Organic Recycling

"The aerobic or anaerobic treatment, under controlled conditions and using micro-organisms, of biodegradable matter, which produces stabilised organic residues or methane".

Recovered Material

"pre-consumer plastic or post-consumer plastic that (a) has been collected and recovered as a material input, in lieu of new primary material, for a recycling or a manufacturing process, and (b) would otherwise have been disposed of as waste or used for energy recovery".

FEATURED FACT:

The Treasury may by regulations amend the meaning of "plastic" and "recycled plastic".

Packaging containing multiple materials and components

It is important to note that the tax applies to each packaging component, not to a finished combination.

For example, a bottle and a trigger head or cap would be classed as two separate components. This is because under the draft legislation for the tax, a component is classed as something which is “designed to be suitable for use, whether alone or in combination with other products, in the containment, protection, handling, delivery or presentation of goods at any stage in the supply chain of the goods, from the producer of the goods to the user or consumer.” All standard Cambrian products are within the scope of the tax, but if you are unsure, please ask your account manager.

Any packaging item which contains more plastic by weight than any other substance will be classed as plastic. I.e., an item that is 40% plastic, 30% metal and 30% paper/card will be considered to be plastic for the purposes of tax liability.

If you believe a plastic packaging component should not be subject to the tax because it does not contain more plastic than any other material by weight, then you need to be able to prove this to HMRC by recording the weights of all materials.

“

The guidance [here](#) states: “Businesses must calculate the proportions of recycled plastic content based on single specifications of products manufactured continuously on a production run. All packaging should be uniform in weight (within processing variances and production tolerances) and recycled plastic content calculated as an average across the output.”

”

What are the main issues?

In April 2021, The British Plastic Federation (BPF) said it supports the aim of the tax, but has cautioned that there are still problems within the tax’s structure that must be addressed. For example, the BPF says that in its current format: “the tax does not account for the regulatory barriers, technical challenges and supply issues that prevent the use of recycled content (recyclate) in packaging.”

- In some industries, such as food and cosmetics, it would not be possible to incorporate 30% recycled content, meaning these companies have no choice but to pay the tax. This could be seen as unfair and is likely to result in extra costs for consumers, without an increase in the use of recycled content.
- Poor availability of recyclate and the lack of recycling infrastructure in the UK might mean that smaller businesses could find it difficult to compete with larger brands able to secure recycled material.

The BPF also raised concerns over the lack of recognisable international standards relating to recycled content, and the potential for fraud.

What are the latest updates on the bill?

The Plastic Packaging Tax is not yet law, and as a result, is subject to change until it becomes law.

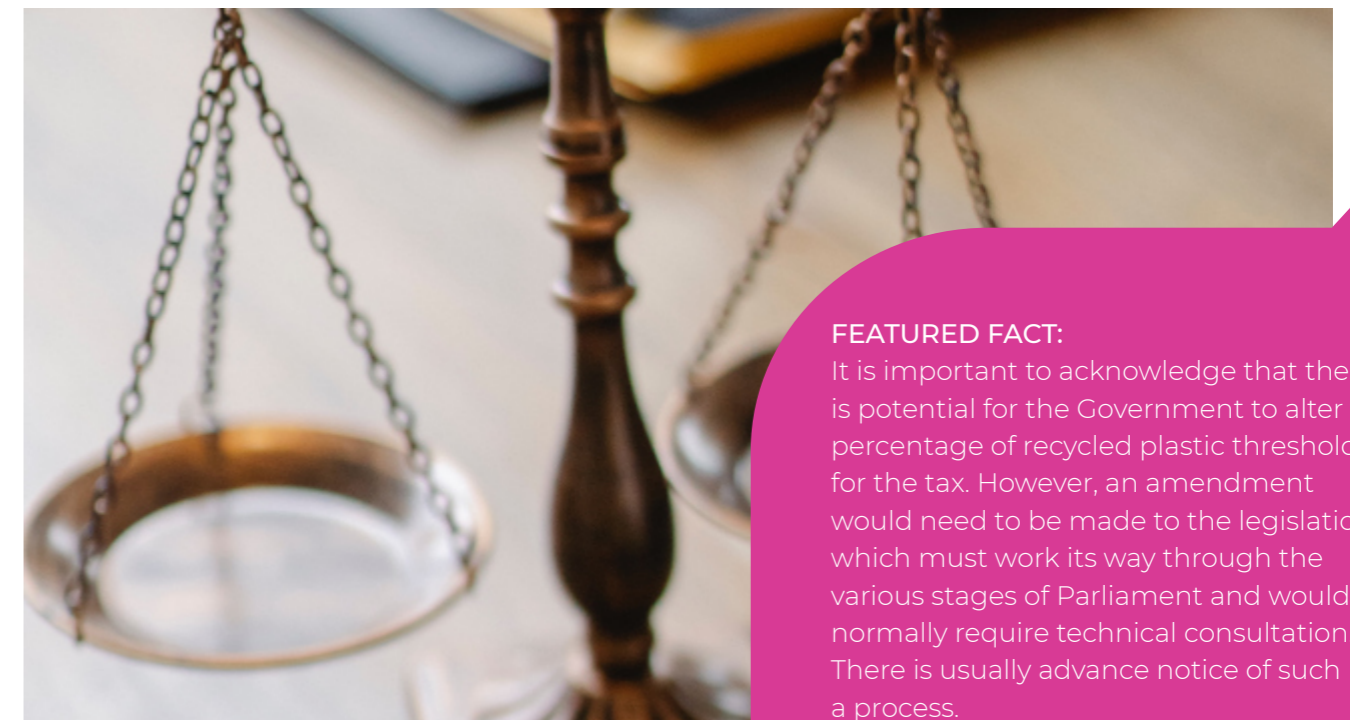
The latest suggested changes include calls for a report to be published before April 1, 2023, which considers the impact of the tax on the rate of plastic recycling in the UK, drilled down by PET, Polypropylene and HDPE. The report would also

examine the volume of plastic used, along with plastic stockpiling.

The government released information on May 10, 2021 titled [‘Get your business ready for the Plastic Packaging Tax’](#).

What are the penalties?

Those failing to pay the tax risk imprisonment for a term not exceeding 12 months and/or a fine not exceeding £20,000.



FEATURED FACT:

It is important to acknowledge that there is potential for the Government to alter the percentage of recycled plastic threshold for the tax. However, an amendment would need to be made to the legislation, which must work its way through the various stages of Parliament and would normally require technical consultation. There is usually advance notice of such a process.



What recycled packaging options are available?

With the tax looming, the requirement for recycled plastic packaging is set to rise considerably as the public seek answers to littering and pollution problems, pressuring brands to take action. As a result, we're expanding our range of packaging containing recycled plastic.

Our Ecycle™ recycled plastic bottles

We have watched with interest over the years as the demand for (PCR) post-consumer recycled plastic packaging has grown. In 2017 we introduced our Ecycle™ range, which consists mostly of 100% recycled HDPE (rHDPE). [You can view that here.](#)

We believe the best approach to tackling the challenge of reducing our reliance on fossil resources, as the main ingredient in plastic packaging, is to collect used conventional petro-chemical-based plastics and recycle them for further use.

Ecycle™ recycled plastic containers are currently available in 500ml to 1L cylindrical bottles, in 500ml to 750ml spray bottles in the form of our popular Elan design, and as a 5L jerry can.



Introducing our new Zero Plastic Packaging Tax range...

The first addition to this new Zero Plastic Packaging Tax range is the 250ml Natural Boston Bottle in 30% PCR. The HDPE material makes this a fully recyclable plastic bottle and the PCR inclusion gives zero Plastic Packaging Tax liability.

The bottle consists of 30% PCR/ 70% standard HDPE and features the classic Boston shoulder. The 24/410 neck finish allows combination with a huge range of closures and dispensers. This design is easy to fill and label and is often used for products sold into the retail setting.



Look for the Zero Plastic Packaging Tax logo

ZERO

PLASTIC PACKAGING TAX

We will be adding more items to this range, so look out for the Zero Plastic Packaging Tax logo. The new bottles will be exactly the same popular shape, dimensions and weight as the standard items, meaning no changes to labels will be necessary. Samples can be requested on each product page via the website.

We hope this will be a game-changer for many of our customers as the range will not be within the scope of the Plastic Packaging Tax at any stage of the supply chain. Our intention is to expand the range to include as many products as is possible commercially, so our customers have the opportunity to get ahead before the tax becomes active on 1 April 2022.

Samples are now available and we're expecting a lot of interest, so please enquire now on 01686 611 360 to get the ball rolling.

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