

**Plastic Packaging Tax Consultation
Final Copy**

Introduction

Q1. What is your name?

Q2. What is your email address?

Q3. Which best describes you? Local Authority

Q4. If you are responding on behalf of an organisation, what is its name?

Q5. Would you like your response to be confidential? Yes / No

If you answered 'Yes' above, please give your reason:

Plastic Packaging Within Scope of the Tax

Q6. Do you agree with the government's suggested approach to defining plastic in scope of the tax?

LARAC agrees with the approach and the principle of linking this to the Producer Responsibility regime. Having consistent definitions and approaches across the wider area of producer responsibility on packaging should aid those businesses and organisations involved.

Having a consistent approach across the wide area of producer responsibility also reinforces the links across to this policy area and should strengthen the work of organisations to develop packaging with high recycled content, that is easily recyclable and that they invest in the recycling collection and processing infrastructure in the UK that will enable their products and the materials used in them to be kept in economic use.

Q7. Do you agree with the government's suggested approach to defining packaging and packaging materials in scope of the tax?

LARAC agrees with the approach. If the driver behind the tax is to stimulate end markets and better design, then it is correct that composite packaging should not fall in the scope as the reprocessing journey for these products is different.

However, composite packaging is particularly difficult to recycle because of its design and lack of end markets, so LARAC believes a similar or higher tax should be placed on such products. There needs to be a stimulation of innovation for these products that sees them redesigned to make the collection, sorting and recycling of them much more economically viable.

Q8. Is the government's approach to components of plastic packaging consistent with the way businesses operate and packaging is created?

The government's approach appears sensible.

Q9. Which of the above options for defining plastic packaging for composite material items do you think works better for the purposes of the tax?

LARAC supports option one and defining if a product is in scope or not rather than placing a tax based on the percentage of plastic a mixed material product contains. LARAC would prefer to see a stance taken on what composite items are in scope that would encourage manufacturers to redesign composite products to make them easier to recycle and see an

increase in single material products. There should be a link with the consistent set of materials that the Government proposes local authorities collect.

Q10. Do you think alignment with the reformed Packaging Producer Responsibility regulations is important for the purposes of the tax?

Alignment with the Packaging Producer Responsibility regulations is likely to ease the burden on business and LARAC would support this. However, if doing this were to lessen the impact of the tax on design for recyclability, or stimulating end markets, then LARAC would advocate a divergence, where appropriate, to maintain these drivers. Access to viable economic end markets for plastics is crucial if the amount of plastic collected for recycling is going to be increased. The tax and links to the Producer Responsibility regulations must be designed and implemented in such a way that increases the processing capacity for plastics in the UK and creates the pull through needed to be able to significantly increase the collection of plastic packaging.

Driving Recycled Content

Q11. Do you agree with the government's suggested approach to defining recycled content for the purposes of the tax?

LARAC agrees that the tax should help to incentivise maximum environmental benefits. However, by including pre-consumer plastic within the definition it may mean that there is a disincentive to maximise the efficient use of the raw materials in the manufacturing process. Pre-consumer plastic waste is likely to be more cost effective to use than post-consumer plastic waste and this may then impact on the intended aim of promoting and creating end markets in the UK. This is a key link to the proposals on EPR and consistency and so LARAC is concerned that the inclusion of pre-consumer plastics on an equal footing with post-consumer plastics will not create the end market demand for post-consumer plastic that the government intends, meaning that collecting a consistent set of materials is less viable as the end markets may not exist for all of them.

LARAC seeks evidence and reassurances from Government that the inclusion of pre-consumer plastics will not hinder the development of end markets for post-consumer plastics.

Q12. Are there any environmental or technical reasons to consider excluding any particular ways of recycling plastic?

LARAC has no view on this question.

Q13. Is there any way that the proposed approach to defining recycled content could encourage unintended consequences, such as wasteful manufacturing processes?

As stated above there is a danger that including pre-consumer waste may have the consequence of making initial manufacturing processes less efficient than they might be, so that a feedstock of recycled content is then created to avoid having to source post-consumer material.

Q14. Do you agree with the government's preferred approach of a single threshold, and why? If not, what alternative would be better, and what are the risks associated with this? Please explain your answer and provide any supporting information and evidence.

LARAC believes that the system should be as clear, transparent and simple as possible and so this would lend itself to a single threshold.

Q15. Assuming a single threshold, do you agree with a 30% threshold for recycled content and why?

Given that several businesses have already pledged to achieve a 30% level of recycled content, LARAC would argue that the level set is not stretching enough, given behaviour is already changing with it.

LARAC is also concerned that a 30% level may not be produce the pull through in post-consumer material given the concerns we outline above about the cost effectiveness of using pre-consumer material over post-consumer. If a 30% level is proposed LARAC would want assurances that suitable research has been done to establish that this will indeed stimulate end markets for post-consumer material to the point where a consistent set of materials being collected by all local authorities will have viable, sustainable and economic end markets to supply all the material to.

Q16. Are there any products for which it would be very challenging to increase the level of recycled content, and why? If so, please outline the effect of a tax on production decisions and consumption of these items.

LARAC would be keen to ensure that the design of this tax system did not lead to unintended consequences of packaging moving to other materials that are not able to be recycled and carry minimal recycled content. Whilst there may be legitimate situations where it will be challenging to increase levels of recycled content the tax should serve as an incentive to overcome these challenges or to prompt new designs that can incorporate more recycled content.

LARAC would urge a cross departmental approach throughout Government on this policy area and if there are barriers identified in the use of recycled content, for example in food packaging applications, work should be done to address these so that the widest available markets and uses are available to recycled content packaging.

Q17. Are there any products for which the use of recycled plastic is directly prohibited in packaging? If yes, please provide details on these products stating the relevant legislation and industry standards as well as the effect of a tax on production decisions and consumption of these items.

Food safety standards are very important and should not be compromised. However, LARAC would want to see other legislation that works against the principle of increasing recycled content reviewed and where possible, changed to provide a more joined up legislative system that supports environmental outcomes.

Q18. What evidence is currently held by liable manufacturers and importers on the levels of recycled content in their plastic packaging and how it might be able to meet the requirements of identifying recycled content levels?

LARAC would want to see a robust data system in place that would give consumers confidence that claims made by manufacturers of the levels of recycled content used were accurate and verifiable.

Q19. If you are an importer of unfilled plastic packaging or plastic packaging material, what information do you hold on the recycled content? What controls or assurance do you have over the accuracy of this information? How might you influence the level of recycled plastic content?

As above LARAC supports a robust and clear data system to support claims of recycled content use.

Setting the Tax Rate

Q20. Do you agree with the government's suggested approach of setting a flat rate per tonne of a plastic packaging product? Why?

LARAC agrees with the concept of setting a flat rate per tonne for the tax. We believe this will help align with the Packaging Producer Responsibility reforms and is most likely in the first instance to bring about change in packaging design and stimulate the end markets for plastic packaging that are so badly needed.

If the tax has the desired effect and design change occurs and more recycled content is used in packaging it could be, in the future, differential rates are applied to ensure further progress is made and that the recycled content percentage does not plateau at a point just above the threshold set. LARAC would also advocate a system that stimulates the use of post-consumer material in a positive manner, linking with Government policy on EPR and consistency from household packaging.

Liability for the Tax

Q21. Do you agree with the proposed points at which domestic or imported products would be liable for the tax? If not, at what point in the supply chain do you think the tax point should be and why?

The proposed points of tax liability appear sensible to LARAC

Q22. Are there any situations where the proposed tax points would be administratively, practically or legally difficult? Please explain any adaptations that might be necessary.

LARAC as no view on this aspect of the consultation.

Q23. If you are a business that produces or imports plastic packaging, how much of your yearly production, in tonnes, would you expect to be liable for the tax?

N/A

Q24. Do you provide (manufacture or import) plastic material which could be used as packaging without knowing the final use of the product? Is this a common occurrence?

N/A

Q25. Would you support extending joint and several liability for UK production, and for imports?

LARAC supports a robust system that is designed to avoid loopholes that remove the incentive to use greater recycled content. If the government believes this proposal will minimise avoidance of the tax, then LARAC is supportive of this.

Q26. Please outline any issues in relation to routine wastage or spillage that may have an impact on the tax liability.

N/A

Q27. Do you agree with the government's initial proposal that the tax at import should only apply to unfilled packaging? If not, what would the effects be? What alternative would you prefer and how would it work?

LARAC would seek reassurances that by applying the tax in this way it does not have the unintended consequence of moving filling operations abroad to avoid the tax. If other parts of the industry raise this as a serious concern through this consultation, then LARAC would look to the government to address those concerns in the design of the tax system and on which imported packaging the tax is applied.

Treatment of Exports

Q28. Do you agree with the government's suggested approach for crediting exports?

LARAC is concerned that by not taxing exported packaging the pull through of end markets for reprocessing plastic might not receive the stimulus that is envisaged in the consultation documents on Extended Producer Responsibility and Consistency. If viable and economic end markets for plastic recycling are not available there is no point in requiring local authorities to collect them as part of the consistency requirements. Therefore, LARAC would want the Government to consider the impact of not taxing exports on the development of processing facilities for recycling plastic.

Q29. Do you foresee any difficulties in providing appropriate records to demonstrate that packaging has been exported?

N/A

Excluding Small Operators

Q30. Do you agree that the government should seek to exclude small operators? If yes, what would the risks be if the government didn't do this?

LARAC appreciates the reasoning for excluding small business but would want to see the level set as low as possible in order to bring about the greatest change and a greater move to the use of recycled content in packaging.

Q31. Would Option 1a, Option 1b or Option 2 best meet the government's objective of excluding small operators from the tax whilst ensuring the tax has a strong environmental rationale?

Given the system is based on tonnage it would make sense to have the threshold on that basis and work with option 1a

Q32. What factors should the government consider when setting a threshold (either on volume or turnover) or a relief? Do you have any suggestions for appropriate levels? If so, please provide an explanation for why you believe this is appropriate.

LARAC does not have a suggestion of a threshold level but would reiterate the point above about it being as low as reasonably possible to ensure as big a change in behaviour as possible.

Q33. Would having a de minimis create any significant risks to the effectiveness of the tax at import (including, but not limited to, treatment of multiple imports from the same exporter/manufacturer/brand owner)? If yes, please provide evidence and suggest any additional legislative or operational countermeasures.

N/A

Q34. Do you anticipate any risks or issues that would arise from introducing a de minimis that aren't explored above? Please provide details.

N/A

Registration and Reporting

Q35. Do you agree that the registration and reporting requirements outlined are appropriate? If not, please specify why.

N/A

Q36. Please provide details of the estimated one-off costs for registering with HMRC.

N/A

Q37. Please provide details of the expected one-off and on-going costs of completing, filing, and paying the return.

N/A

Ensuring Compliance

Q38. Is the government's suggested approach to compliance proportionate and appropriate? If not, please outline any scenarios that you anticipate may require bespoke compliance powers or penalties?

N/A

Q39. Are our anti-abuse proposals sufficient to tackle the risk of fragmentation (abuse of the de minimis or universal relief) from UK based plastic producers?

N/A

Q40. Is our approach regarding assuring the accuracy of declared recycled content appropriate? If not, please share any other suggestions you may have.

N/A

Q41. Do respondents believe that using UK based agents for non-established taxable persons may help support compliance?

N/A

Q42. Are there any further compliance risks that have not been addressed in this chapter, please provide details?

N/A

Understanding Commercial Practices

Q43. If you are a business, what is your annual turnover?

N/A

Q44. Are you currently obligated under the Packaging Producer Responsibility system?

N/A

Q45. If you manufacture or handle plastic packaging, which sector(s) do you provide it to?

N/A

Q46. If you manufacture or handle plastic packaging, can you please provide an overview of the types of plastic packaging products as well as the tonnages and the levels of recycled content in each? Do you expect this to change over the next 5 years?

N/A

Q47. If you manufacture or handle plastic packaging, how much of this packaging is produced domestically, exported and/or imported?

N/A

Q48. If you process or handle recycled plastic, do you export or import any? If so, how much, and where from/to?

N/A

Q49. If you manufacture plastic packaging, can you please provide an overview of the prices of some of your plastic packaging products. Can you also provide information on how these costs break down according by material costs, labour costs, other operating costs and profit?

N/A

Q50. If you manufacture or handle plastic packaging, can you please describe how plastic packaging prices fluctuate? How much do prices vary, and what are the main causes, e.g. fluctuations in exchange rate, oil and other commodity prices, etc.?

N/A

Q51. If you manufacture or handle plastic packaging, how long does it take you (in months) to increase the recycled content of your product? What factors are important in determining this length of time?

N/A

Q52. If you manufacture or handle plastic packaging, would the tax incentivise you to speed up any current plans to increase recycled content? To what extent? How quickly?

N/A

Q53. If you manage waste, how long would it take you to set up the systems required to supply more plastic waste for recycling/recycle more plastic? How much could you produce?

Local authorities already have comprehensive systems in place to collect plastic packaging. At present there are issues with the sorting capability and end markets that restrict local authorities from collecting more types of plastic packaging. These issues will

need to be addressed for local authorities to provide more post-consumer plastic to the market in a cost-effective manner.

Local authority collections are a direct result of the packaging that is in the waste stream to be collected, the capability of MRFs to sort the plastics into the different polymer types and then having viable economic end markets for the MRFs to sell the material to. If the packaging is not easily recyclable, if the sorting capability is not there, and if the economic end market does not exist, local authorities are unable to increase their collections as the material would just end up going to disposal through Energy from Waste or Landfill.

Q54. If you manufacture plastic packaging, how would the tax affect the amount and price of product you produce? In cases where you weren't able to increase recycled content, would you pass the price of the tax down the supply chain?

N/A

Q55. Is there anything else you would like us to note about how your business operates and how you think it would be impacted by the tax?

N/A