

## **PLASTIC PACKAGING TAX**

### **INTRODUCTION OF A PLASTIC PACKAGING TAX FROM APRIL 2022**

#### **Policy objective**

A new Plastic Packaging Tax will take effect from 1 April 2022 and will encourage the use of recycled rather than new plastic within plastic packaging. This will in turn stimulate increased levels of recycling and collection of plastic waste, diverting it away from landfill or incineration. Packaging should only contain recycled content where it is permitted to do so under other regulations, such as those covering food safety.

#### **Who is likely to be affected?**

Manufacturers of plastic packaging based in the Isle of Man, importers of plastic packaging from outside the IOM/UK customs area, business customers of manufacturers and importers of plastic packaging, and consumers who buy plastic packaging or goods in plastic packaging in the Isle of Man and the United Kingdom.

To mitigate against disproportionate administrative burdens in comparison to the tax liability for those who are likely affected, there will be an exemption for manufacturers and importers of less than 10 tonnes of plastic packaging per year.

#### **General description of the measure**

This is a new tax that will apply to plastic packaging manufactured in, or imported into, the Island and the UK, that does not contain at least 30% recycled plastic. Plastic packaging is packaging that is predominantly plastic by weight. The tax will be charged at a rate of £200 per metric tonne of plastic packaging.

Imported plastic packaging will be liable to the tax, whether the packaging is unfilled or filled. Where the packaging you import already contains other goods, the tax only applies to the plastic packaging itself.

The tax will not be chargeable on plastic packaging which —

- has 30% or more recycled plastic content;
- is made of multiple materials of which plastic is not proportionately the heaviest when measured by weight;
- is manufactured or imported for use as immediate packaging of licensed human medicines;

- is in use as transport packaging to import products into the IOM and UK; or
- is exported, filled or unfilled, unless it is in use as transport packaging to export products out of the Island and UK.

Further information regarding the definition of plastic packaging can be found [here](#).

## **Law**

Part 2 of the Finance Act 2021 (an Act of the United Kingdom Parliament) contains the primary legislation that established a Plastic Packaging Tax in the United Kingdom. The Treasury intends to introduce corresponding provisions by the Plastic Packaging Tax (Application) Order 2021. The draft legislation can be found at:

<https://www.gov.im/categories/tax-vat-and-your-money/customs-and-excise/legislation-for-customs-and-vat/>

The legislation enables the Treasury to make Regulations relating to —

- the administration and collection of the tax;
- the definitions of plastic packaging;
- exemption from the tax;
- tax credits where plastic packaging is exported or converted into a different packaging component;
- measurement of weight for the purpose of the tax;
- record keeping requirements.

Guidance produced by Her Majesty's Revenue and Customs in the United Kingdom in relation to plastic packaging tax is also applicable to the Isle of Man. Any references to the United Kingdom are to be read as including the Isle of Man, and any references to HMRC are to be read as the Treasury where appropriate.

## **Summary of impacts**

### **Economic impact**

This measure is not expected to have any significant impacts. The tax will provide a clear economic incentive for businesses to use recycled plastic material in plastic packaging, which will create greater demand for this material and in turn stimulate increased levels of recycling and collection of plastic waste, diverting it away from landfill or incineration.

### **Impact on individuals, households and families**

This measure is not expected to impact individuals unless businesses pass on the charge. It is expected that even if all the tax is passed on to individual consumers, the cost to consumers will be small as plastic packaging usually makes up a very small amount of the total cost of goods. On this basis we expect customer experience to stay broadly the same.

### **Equalities impacts**

It is not anticipated that this measure will impact on groups sharing protected characteristics.

### **Impact on business**

It is expected that the impact of the new Plastic Packaging Tax on UK plastic packaging manufacturing and importing businesses will be significant; however, the impact on Island businesses is considered to be low.

The tax is expected to impact on an estimated 20,000 UK manufacturers and importers of plastic packaging, although the impact in the Isle of Man is expected to be low, as the Treasury understands there are no known plastic packaging manufacturers on the Island and no direct imports from outside the IOM/UK customs area. However, the Treasury would be interested to hear from any manufacturers of plastic packaging, or Island based businesses who import plastic packaging who might be liable to the tax.

One-off costs may include familiarisation with the new rules, training for staff, registration with the Treasury, and developing the required reporting framework to complete tax returns.

Continuing costs could include completing, filing and paying tax returns, keeping appropriate records (including those required to claim the export credit), and amending returns. There will also be new registrations and de-registrations each year. In addition, joint and several

liability requirements mean some businesses will need to conduct due diligence on their supply chain or take action following notification of wrongdoing by a taxpayer they are connected with.

These regulations, which ensure the tax is properly targeted, are expected to have a negligible impact on business beyond those set out above.

### **Penalties**

In line with other taxes, there will be civil and criminal penalties for failing to comply with the tax, including penalties for failure to register, failure to file returns and failure to pay the tax.

### **Environmental impact assessment**

The rationale of this tax aims to increase the use of recycled plastic in plastic packaging and it is estimated that as a result of the tax the use of recycled plastic in packaging could increase by around 40% in the UK.