

Plastic Packaging Tax – an observer's perspective

Victoria Ferguson, Tax Manager at Honey Barrett, shares her thoughts on the latest government initiative to tax plastic packaging.



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In this year's Spring Budget, Chancellor Jeremy Hunt announced an increase to the current rate of Plastic Packaging tax.

The Tax applies to businesses that manufacture or import plastic packaging components/package goods to the UK that do not contain at least 30% recycled plastic. The current rate of tax is £210.82 per tonne (from 1 April 2023).

Plastic Packaging tax was originally introduced on 1 April 2022 to encourage the use of recycled plastic in packaging (or non-plastic packaging) in line with the UK's commitment to global climate goals, as outlined in the 'Paris Agreement'.

While Plastic has undoubtedly played a key role in the economy, especially during the past two decades, by discouraging the use of 'virgin' plastics this Tax is designed to decrease the quantity of plastic waste that is dumped in landfills, burned, or abandoned to pollute the ocean. By pushing companies to package their goods with more environmentally friendly materials, the tax can also help to conserve valuable resources.

As ever in the world of Tax, the application of the Plastic Packaging Tax is far from

straightforward. The taxable 'component' is one which is designed for use in the supply chain/for single use by the consumer (eg. something to contain or protect 'the goods' such as biscuit wrappers). However, a 'component' will be outside of the scope of the tax if it forms an integral part of 'the goods' (eg. an asthma inhaler). Confused? I'm not surprised!

Although manufacturers may find it challenging to sift through these irregularities, overall, the principle of encouraging greater levels of recycling/environmentally friendly materials is a positive one.

I do, however, wonder if the UK is presently set up to meet the demands of a circular-economy in terms of packaging demand, in full. I also wonder how the government will spend the revenue raised by the Plastic Packaging Tax. Let's hope that they invest some of those funds in closed-loop recycling infrastructure!

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