



bright grahame murray
CHARTERED ACCOUNTANTS

Fact Sheet

21 JUNE 2022

New Plastic packaging tax ('PPT')

A new tax on plastic packaging ('PPT') has been introduced in the UK with effect from 1 April 2022.

The aim of the new tax is to encourage increased use of recycled material in plastic packaging.

The plastic packaging considered is both packaging manufactured in the UK and packaging imported into the UK.

The tax payment is due by the manufacturer / importer and isn't charged to customers like VAT, although prices can of course be increased to cover the cost.

There are a number of exclusions and exemptions as well as a threshold that apply and so the type of plastic packaging used as well as the quantity of plastic packaging used will be relevant for concluding on whether registration with HMRC and PPT payments are required.

Amount of tax

The tax will apply at a rate of £200 per tonne on 'plastic packaging components' with less than 30% of recycled material.

Threshold for tax

There is a threshold of 10 tonnes of plastic packaging components per annum. The rules could therefore apply to companies that are small or medium sized in accounting terms if there is extensive plastic packaging used in the business.



Registering with HMRC

Where the threshold has been exceeded since 1 April 2022 (or in the last 12 months from 31 March 2023), or is expected to be exceeded in the next 30 days, there is a requirement to register with HMRC within 30 days. There are penalties for late registration.

Registration is required even where more than 30% of the packaging is made from recyclable material and PPT will not be paid.

Group registrations are possible. Non-UK businesses who import into the UK will also need to register with HMRC if the threshold is breached.

Reporting and payment

Returns are required to be made in calendar quarters. The first return will cover the period 1 April 2022 to 30 June 2022. The reporting dates are fixed and cannot be changed.

The tax return and payment must be submitted by the last working day of the month following the end of the accounting period. The first returns and payments will therefore be due by 29 July 2022.

Deferral for exported packaging

There can be a deferral of the payment of PPT for up to 12 months if the packaging is going to be exported.

Records to be kept

Systems and processes will need to be created to collect the relevant data. Training will also be required.

Even where the thresholds are not exceeded, records will need to be kept as evidence that the threshold is not exceeded.

Records will include:

- Weight details of each plastic packaging component, including whether it is imported, manufactured and whether subject to the tax or not
- Details of exports
- Evidence of recycled content, including the % of recycled plastic, its source, and what product lines it is used with
- Evidence of why an exemption applies

Plastic packaging components

Where packaging is made up of several packaging components, PPT is considered separately on each component. An example of this would be bottles, labels and caps in a drinks bottle.

Where a mixture of materials is used in a product but plastic is the heaviest material, the whole weight of the product (including the non-plastic components) will be considered to be plastic for PPT purposes.

Finished components

For manufacturers in a supply chain it will need to be considered as which stage the plastic tax arises. This is when the component is finished and has undergone its last substantial modification before the packing or filling process.

Due diligence

HMRC expect companies to carry out due diligence checks to lessen the risk of being involved in a supply chain where Plastic Packaging Tax goes unpaid and to keep records of these checks. If sufficient records are not kept then a company can be jointly and severally liable (or secondarily liable) for any unpaid PPT.

Examples of checks for manufacturers who do not complete the last substantial modification would be for the customer to confirm that they finish the component and so will be paying PPT.

Examples of checks for importers include obtaining details from suppliers of the weights and PPT status of each component and percentage of recycled content.

Exclusions

There are 3 main exclusions from PPT:

- 1) Primary function is storage of goods (e.g. a toolbox)
- 2) An integral part of the goods (e.g. print cartridges)
- 3) Reused primarily for the presentation of goods (e.g. shop fittings and sales display stands)

These items do not need to be included when calculating the 10 tonne HMRC registration threshold.

Exemptions

There are 4 main exemptions from PPT:

- 1) 'Immediate' packaging of a medicinal product – the packaging immediately in contact with the medicinal product. Does not apply to veterinary medicines.
- 2) Transport packaging on imported goods (also known as tertiary packaging)
- 3) Packaging used as aircraft, ship and rail stores for international journeys
- 4) Components that are permanently designated or set aside for use other than a packaging use (e.g. plastic film that coats whiteboards)

Packaging in the exempt categories 1 and 4 above are required to be calculated as part of the 10 tonne HMRC registration threshold, whilst packaging in exempt categories 2 and 3 are not included.

BGM can help you identify whether the plastic packaging tax ('PPT') will apply to your business and the steps you need to take if so.

For further information, please contact David Lucas at davidlucas@bgm.co.uk or your usual BGM advisor.



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Disclaimer: This information provides an overview of the issues considered and is for general information only. It is not intended to provide advice and should not be relied upon in any specific transaction.