

Introduction

This webinar looks in more detail at the administrative and technical aspects of Plastic Packaging Tax

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Introduction



Packaging that already contains goods when imported



If all plastic packaging is made from at least 30% recycled plastic – no PPT due



May still need to register



Designed to encourage the use of recycled plastic instead of new plastic

- ! Primary legislation is in law and forms Part 2 of the Finance Act 2021
- ! Secondary legislation will be introduced before 1 April 2022
- ✓ Guidance on GOV.UK will be updated to reflect any changes
- ✓ To subscribe to the mailing list, email: indirecttaxdesign.team@gov.uk

Contents:



Administrative aspects

- Tax credits
- What you must do when buying plastic packaging
- Online market places and fulfilment houses
- Adjustments to contracts
- Penalties and disaggregation

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Contents:



Technical aspects

- Types of recycling
- Calculating and providing evidence for the weight of packaging
- Evidence for exemptions

Tax credits

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Tax credits



Account for and pay PPT on a plastic packaging component that is then exported



Account for and pay PPT on a plastic packaging component that another business then modifies



Plastic packaging you export

- ✓ Always intended for export
- ✓ Defer payment of PPT
- ✓ Cancel PPT if exported within 12 months



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Plastic packaging you export



Evidence you accounted for and paid PPT



Return submitted which includes that component



Proof the component has been exported



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Plastic packaging you supply



Another business may export the packaging component on which you've paid PPT



Ask customers to tell you if they export any component you supply

Packaging subject to further modification



You can claim a tax credit for the PPT you originally paid

Further modification – example

You account for and pay PPT on plastic film

You sell the plastic film to another business

They print on it, add adhesive and cut into labels

They are liable for PPT on this new component

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Further modification – example

You claim a tax credit for PPT paid on original

Evidence

PPT you paid originally

PPT paid on new components

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Packaging subject to further modification



Ask customers to tell you if they substantially modify any component you supply



Start talking to customers now



Could reduce costs for both businesses

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Claiming the tax credit

Exports

Further
modifications

- Tax credit can only be claimed by the business that accounted for it originally

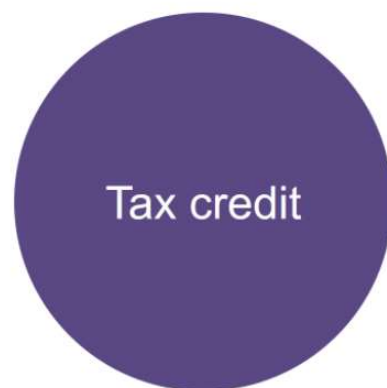
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Claiming the tax credit



- Normally set off against future PPT payments due
- Can be repaid in some circumstances.

What you must do when buying plastic packaging

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What you must do when buying plastic packaging



Buy finished plastic packaging from a business



They will have accounted for and paid PPT

Finished plastic
packaging



Has had its last
substantial
modification
before filling

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What you must do when buying plastic packaging



You have a duty to carry out due diligence with suppliers to ensure PPT has been accounted for where required

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What you must do when buying plastic packaging



Due diligence for PPT will be part of the wider process a well-run business has in its relationship with suppliers

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What you must do when buying plastic packaging



Due diligence process will vary from business to business

Normally include:

- checks that all taxes, duties and other payments for goods supplied will be dealt with by the supplier
- checks on things like the quality and specification of the goods supplied

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What you must do when buying plastic packaging

Keep records to show goods are:

- of a certain standard
- certain specification

Keep records to show supplier has accounted for:

- PPT due
- VAT
- other taxes

What you must do when buying plastic packaging



If a business can't show it has taken reasonable steps to ensure PPT has been accounted for



May be held secondarily or jointly and severally liable for any unpaid PPT

What you must do when buying plastic packaging



Businesses will only be held secondarily or jointly and severally liable for PPT, where they knew or had reasonable grounds to suspect PPT hadn't been paid

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Online market places and fulfilment houses

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Online market places and fulfilment houses



If an online market place or fulfilment house knows about non-compliance

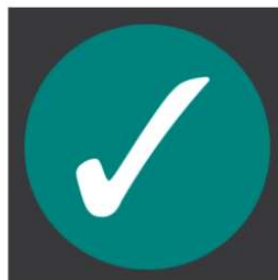


May also be secondarily or jointly and severally liable for unpaid PPT sold on their platform

Online market places and fulfilment houses



We expect they will not know about non-compliance of a business until HMRC tells them



Will have an opportunity to cease trading with a non-compliant business before being held jointly and severally liable for PPT due

Adjustments to contracts

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Adjustments to contracts



PPT will be introduced 1 April 2022



Contracts already in place



Power to change the terms of the contract, unless the contract specifically prevents this

Adjustments to contracts

The contract may be changed in 2 ways.

- To adjust the price of chargeable plastic packaging components to include PPT costs
- To require the buyer to provide information to the seller of any substantial modifications they make which would entitle them to claim a tax credit for PPT already paid

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Adjustments to contracts



Start to discuss this with
customers and suppliers now,
before PPT is introduced

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Penalties and disaggregation

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Penalties and disaggregation



HMRC has powers and penalties that are widely used across indirect and environmental taxes

Will take a similar approach with PPT

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Penalties and disaggregation



HMRC aim to help businesses to meet their obligations, rather than impose penalties



Aim to use powers for deliberate or negligent behaviour

Penalties and disaggregation



Businesses that may be affected by PPT should start to get ready now



Make use of guidance available



When PPT starts, raise any queries in advance of making returns and payments

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Penalties and disaggregation



Initially, HMRC will focus on educating and supporting businesses



We will take action against anyone deliberately avoiding payment of PPT and other taxes

Penalties and disaggregation



There are specific provisions preventing a business being artificially split into separate smaller business to avoid paying PPT because the smaller business produces or imports less than 10 tonnes of plastic packaging in a year

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Technical aspects

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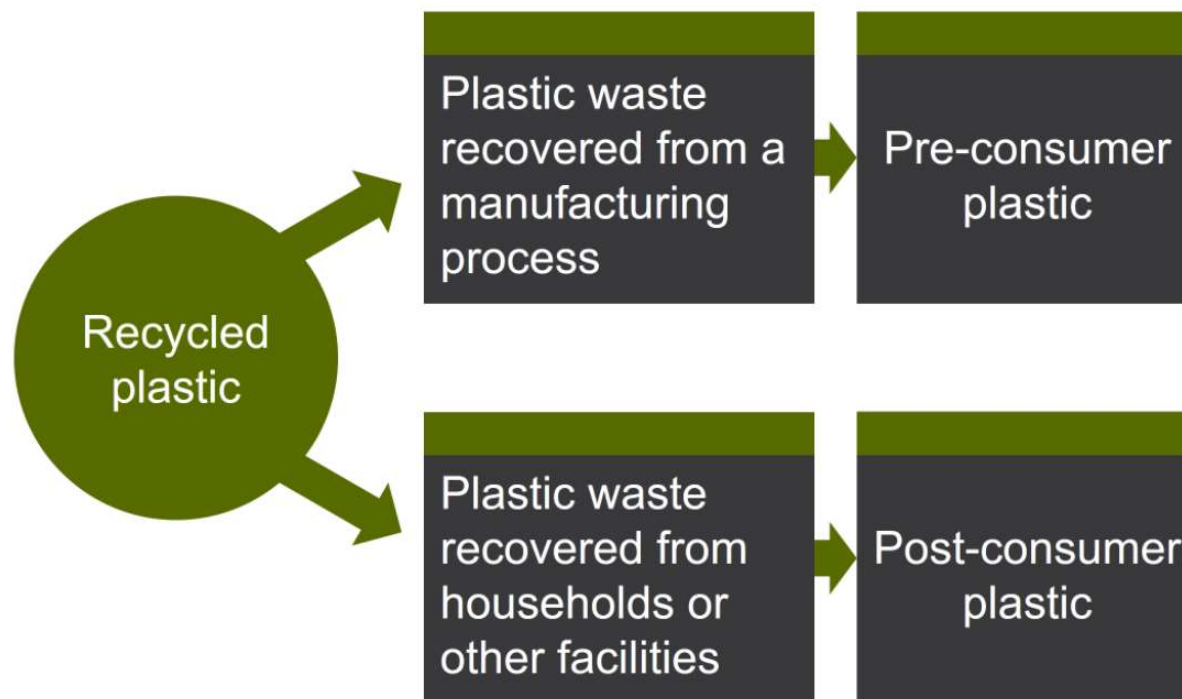


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Types of recycling



Types of recycling



Scrap or regrind recovered
and reused during the
manufacturing process



It must be reprocessed using
a mechanical or chemical
process back to the raw form

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Types of recycling



Do not need to buy recycled plastic from a verified reprocessor



Keep full records that demonstrate the inputs used

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Types of recycling



Chemical recycling



Even mix of recycled and virgin polymers



Not just based on a certificate of how much recycled material used



Plastic must contain the stated proportion of recycled material

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Types of recycling



Organic recycling

The aerobic or anaerobic treatment, under controlled conditions using micro-organisms, of biodegradable waste

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Types of recycling



Recycled plastic

Any doubts the plastic being used is classed as recycled for PPT, check the guidance as soon as possible

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Calculating and providing evidence for the weight of packaging

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Calculating and providing evidence for the weight of packaging



Calculate the weight



Calculate the recycled plastic content



Measured and reported accurately

All finished plastic packaging components you're accountable for

Calculating and providing evidence for the weight of packaging



Work out PPT due on total weight of each packaging component



Consider and account for each individual component separately



A packaging component is plastic for PPT, if made of more plastic by weight than any other single material specified

Calculating and providing evidence for the weight of packaging



It's vital you accurately measure the weight of recycled material to establish at least 30% of the plastic is recycled

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Measuring the weight of a packaging component



Assess the weight of a plastic packaging component as the average weight of a particular component over a production run

Intended to weigh 5 grams

Minor variance in a run

Each component in the run is 5 grams

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Measuring the weight of a packaging component



Assess the weight of individual materials used in a component for each production run

5-gram component

3 grams of plastic and 2 grams of card

Each component in the run if minor variances

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Working out the percentage of recycled plastic



Use the mass balance approach to work out the proportion of recycled plastic in the packaging component

$$\text{Mass of recycled plastic} \div \text{Mass of all plastic inputs} \times 100$$

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Working out the percentage of recycled plastic



Where the result is 30 or more



The packaging component is not subject to PPT



Must still include it when working out the 10-tonne registration threshold



Must report it in PPT return if you meet either of the two tests for registration

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Working out the percentage of recycled plastic – example



A calculation diagram showing the steps to find the percentage of recycled plastic. It consists of five purple circles arranged horizontally. The first circle contains the number "3". To its right is a division symbol (÷). The second circle contains the number "10". To its right is a multiplication symbol (×). The third circle contains the number "100". To its right is an equals sign (=). The final circle on the right contains the number "30".

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Working out the percentage of recycled plastic



You produce the finished plastic packaging component



You may already have the details of the materials used in the process



You don't produce the finished plastic packaging component



You need to get the details from your suppliers

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Working out the percentage of recycled plastic



Raw plastic used is a mixture of virgin and recycled plastic



You need confirmation of the proportion of recycled plastic it contains



Must be the actual recycled content based on a fully mixed product



Not a certificate of the recycled material used in the manufacturing process

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Import plastic packaging



Start getting the information from suppliers



Weight and makeup of the packaging



Ensure you're told of any changes in the future



PPT only applies to the weight of the packaging and not the weight of the goods it contains

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Evidence you need to keep

Weight

Materials
used

Recycled
content



Keep evidence for packaging that appears to be plastic but contains more of another single material by weight

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- [illegible]



100%

Evidence for exemptions

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Exemption 1

Exemption 2

Exemption 3

Exemption 4

Components permanently designated or set aside for non-packaging use

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Evidence for exemptions



Evidence required will be similar to that needed for chargeable plastic packaging



Different for each individual component



Likely to include documents you already keep

Evidence for exemptions



Evidence must clearly relate to the exemption



Produce or import plastic packaging used for immediate packaging of human medication



Maybe include this in the product description on the invoice and contract

Evidence for exemptions



Evidence must be kept for 6 years from the end of the quarterly accounting period to which it relates



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What you need to do next

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What you need to do next



If it may affect you



Start to prepare now

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What you need to do next



Regularly check guidance
on GOV.UK



Start talking to suppliers
and customers

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What you need to do next



If your business is responsible for PPT



Make sure you have all the details you need to account for and pay PPT accurately



Registration opens



Make sure you have all details needed to do this

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Summary

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Summary:



Administrative aspects

- Tax credits
- What you must do when buying plastic packaging
- Online market places and fulfilment houses
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- Penalties and disaggregation

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Summary:



Technical aspects

- Types of recycling
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Need more help?



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Online guides



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Tax agent toolkits



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forum



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