

Plastic Packaging Tax Consultation

Update workshop 16 April 2019

Agenda

- ▶ Responding to the consultation
 - ▶ Three elements
 - ▶ Government rationale
 - ▶ Mechanism proposed
- ▶ Policy assessment
- ▶ Economic impact assessment
 - ▶ Findings
- ▶ Approaches to the policy proposal

Responding to the consultation



Producing your response: three elements

- ▶ A focused policy paper addressing the fundamentals of the Government's policy model and proposing an alternative approach to achieving its goals
- ▶ An economic impact assessment of the Government's proposal
- ▶ Detailed responses to the key consultation questions

Government rationale

- ▶ Overall objective is to tackle single-use plastic waste
 - ▶ Plastic packaging accounts for 44% of plastic used but 67% of plastic waste —▶ focus on plastic packaging
 - ▶ Using new plastic typically has greater environmental impact
- ▶ Wants “sustained use of more recycled plastic in production of plastic packaging to help tackle plastic waste”
- ▶ Needs intervention since:
 - ▶ “Using recycled plastic is often more expensive”
 - ▶ “Significant variations in price of new plastic”
- ▶ Tax is intended to
 - ▶ “provide clear economic incentive for businesses to use recycled material in the production of plastic packaging”

Mechanism proposed

- ▶ Tax on plastic packaging with <30% recycled content
- ▶ Charged on plastic packaging:
 - ▶ manufactured in the UK and
 - ▶ unfilled packaging imported to the UK
- ▶ Applied
 - ▶ UK manufactured produce: made available for use or onward sale,
 - ▶ Import: when released into the UK market
- ▶ Exports would not be taxed
- ▶ Flat rate per tonne of plastic packaging
- ▶ *De minimis* threshold for smaller operators

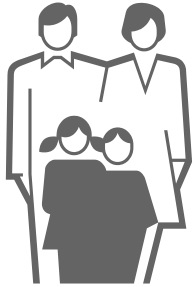
Policy assessment

- ▶ Aim: reduce single-use plastic waste
- ▶ Potential outcomes:
 - ▶ Some suppliers will respond and use recycled plastic
 - ▶ Many others just experience a price increase, due to:
 - ▶ Lack of sufficient supply and ability of market to respond
 - ▶ Inability to use recycled plastic
 - ▶ Physical requirements
 - ▶ Regulatory requirements
 - ▶ Incentives may result in greater plastic waste
 - ▶ Changes to use recycled plastic may inhibit further recycling
 - ▶ Incentive to pack abroad to avoid tax

Economic Impact Assessment



Provisional analysis shows the following economic impacts of the proposed tax



- ▶ The tax is likely to be regressive.
- ▶ Consumers in the bottom decile are likely to pay more for food and drink, and health and hygiene products compared to peers from the middle decile.
- ▶ These types of goods already account for a higher proportion of lower households' expenditure.

↓ 45%

Fall in the size of the sector

- ▶ Sector output will fall due to switching to other plastics and materials.
- ▶ A tax set at £500 per tonne in 2022 could reduce Gross Value Added – the size of the sector that creates plastic packaging which contains less than 30% recycled content.
- ▶ A tax set at £500 per tonne in 2022 could reduce employment by 52%.

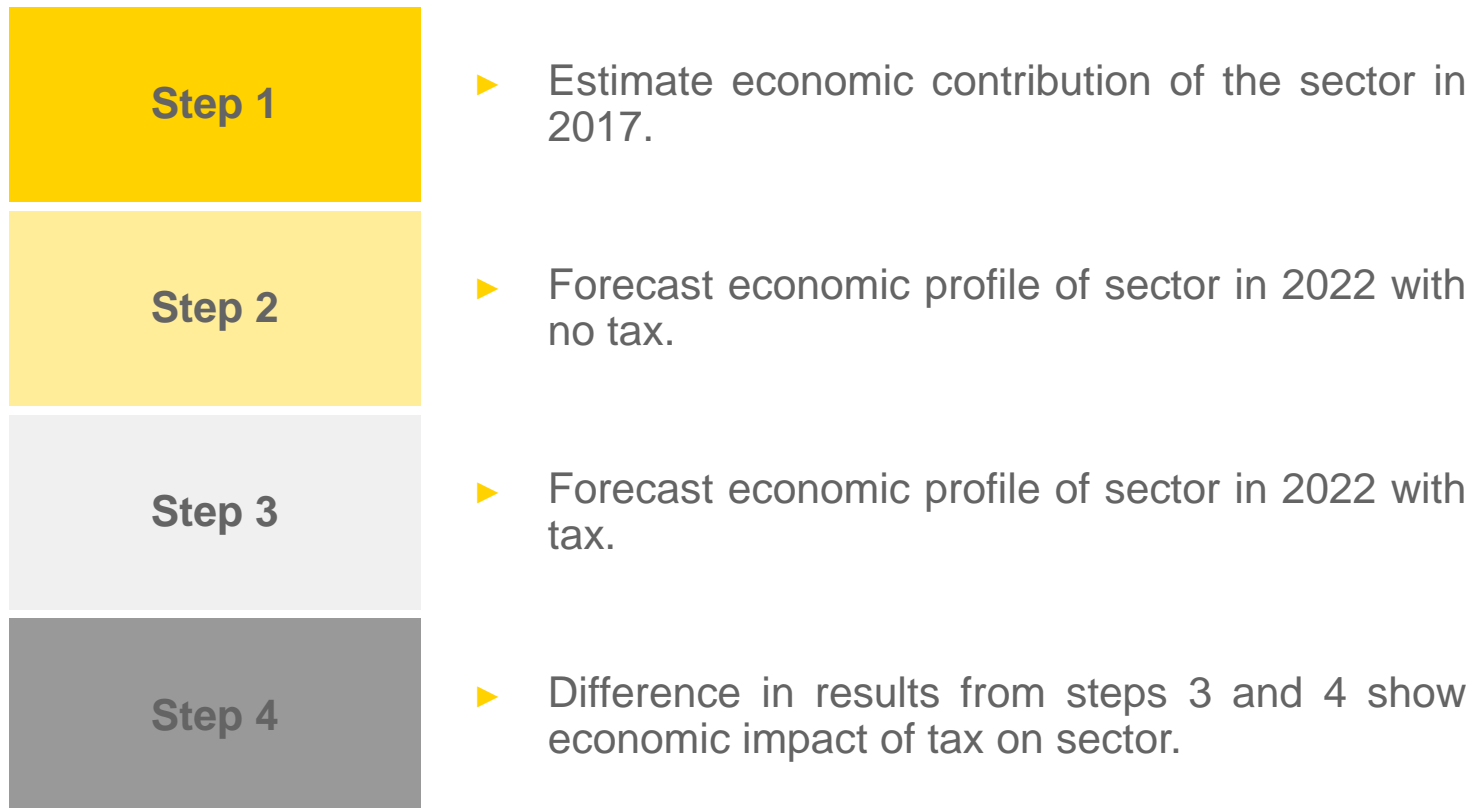
↑ 15%

Net increase in tax revenue
(For a £500 per tonne tax)

- ▶ Taxes paid by the sector (income tax, NICs, VAT, corporation tax, stamp duty, environment tax) will also decrease.
- ▶ Reduction in taxes paid could be outweighed by the revenue raised by the proposed packaging tax. Dependent on size of tax.

The plastics packaging tax is likely to reduce the economic footprint of the sector

Steps to estimate the impact of proposed plastic packaging tax:



In 2017 the UK plastics sector contributed the following to the UK economy

Economic contribution: direct, indirect and induced



£1,643m

Total GVA contribution

Source: ONS, BPF, EY



18,803

Jobs supported

Source: ONS, BPF, EY



£463m

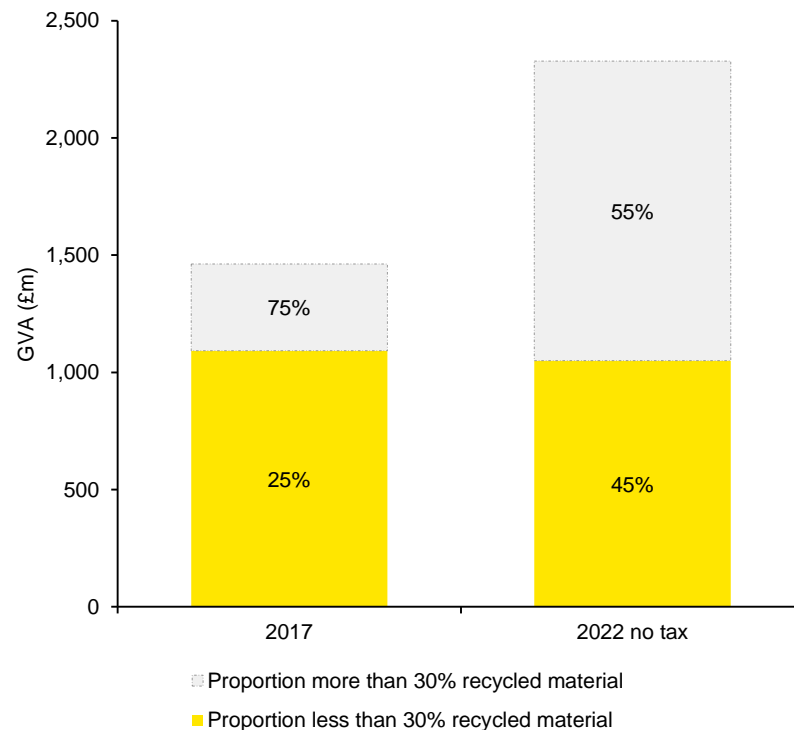
Total tax contribution

Source: ONS, BPF, EY

- ▶ Relates to economic activity generating plastic packaging with under 30% recycled content and will be affected by the proposed tax. Also exclude exports (~17%) of output.
- ▶ BPF survey data: 75% of all plastic packaging produced in 2017 had under 30% recycled content.
- ▶ Apply 75% to 2017 ONS Annual Business Survey data and BPF survey data to estimate size of relevant sector.

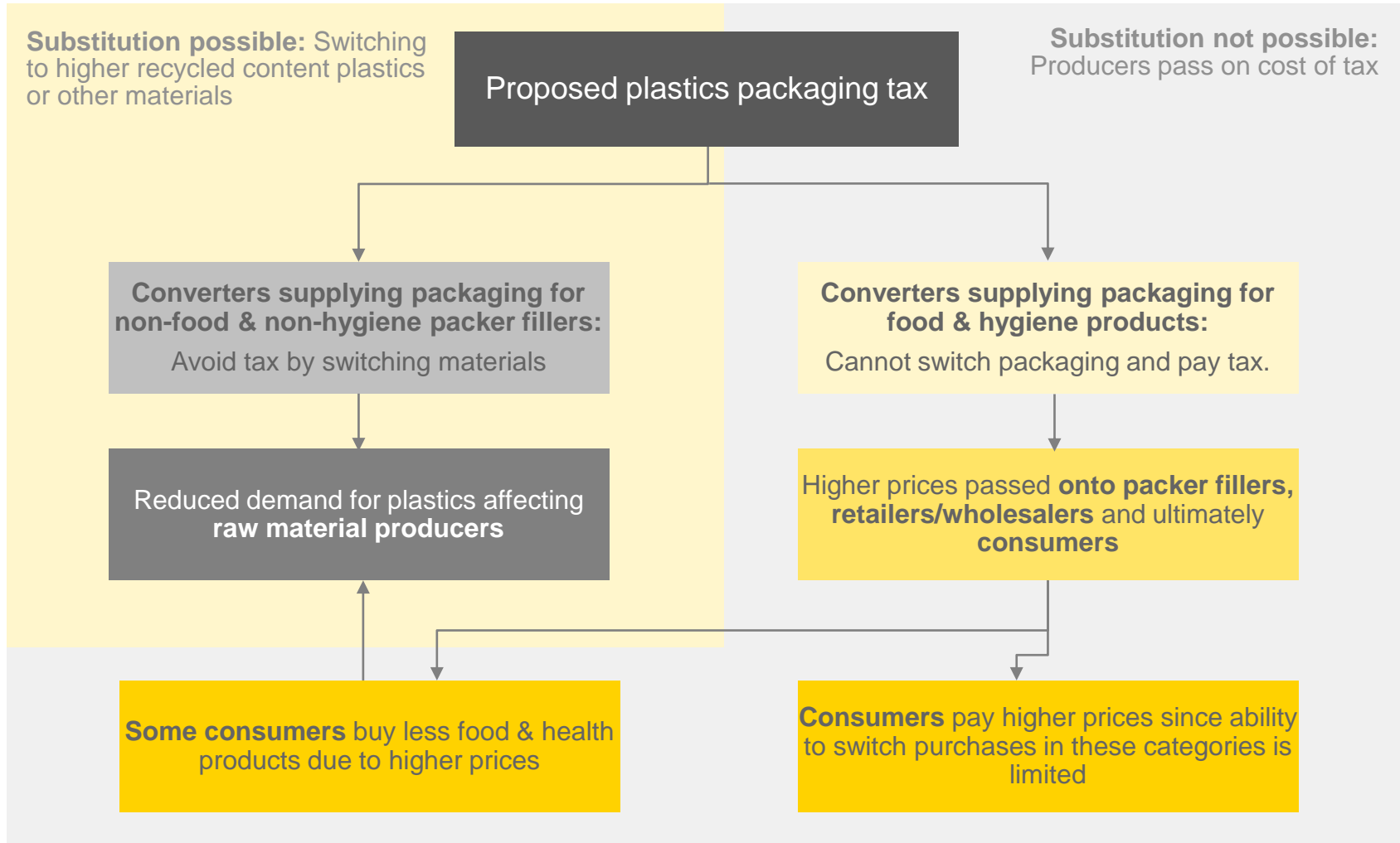
Overall plastics packaging output will grow to 2022 but the part we focus on will decline

- ▶ Forecast 2022 whole plastic packaging sector to grow in line with trend historical growth (2017 – 2022: +59%).
- ▶ Even without tax there is an anticipated fall in the share of plastic packaging with less than 30% recycled content in 2022. (LHS chart)
- ▶ This will lead to a reduction in the size GVA, employment and tax paid by the sector producing packaging with less than 30% recycled content. (RHS table)

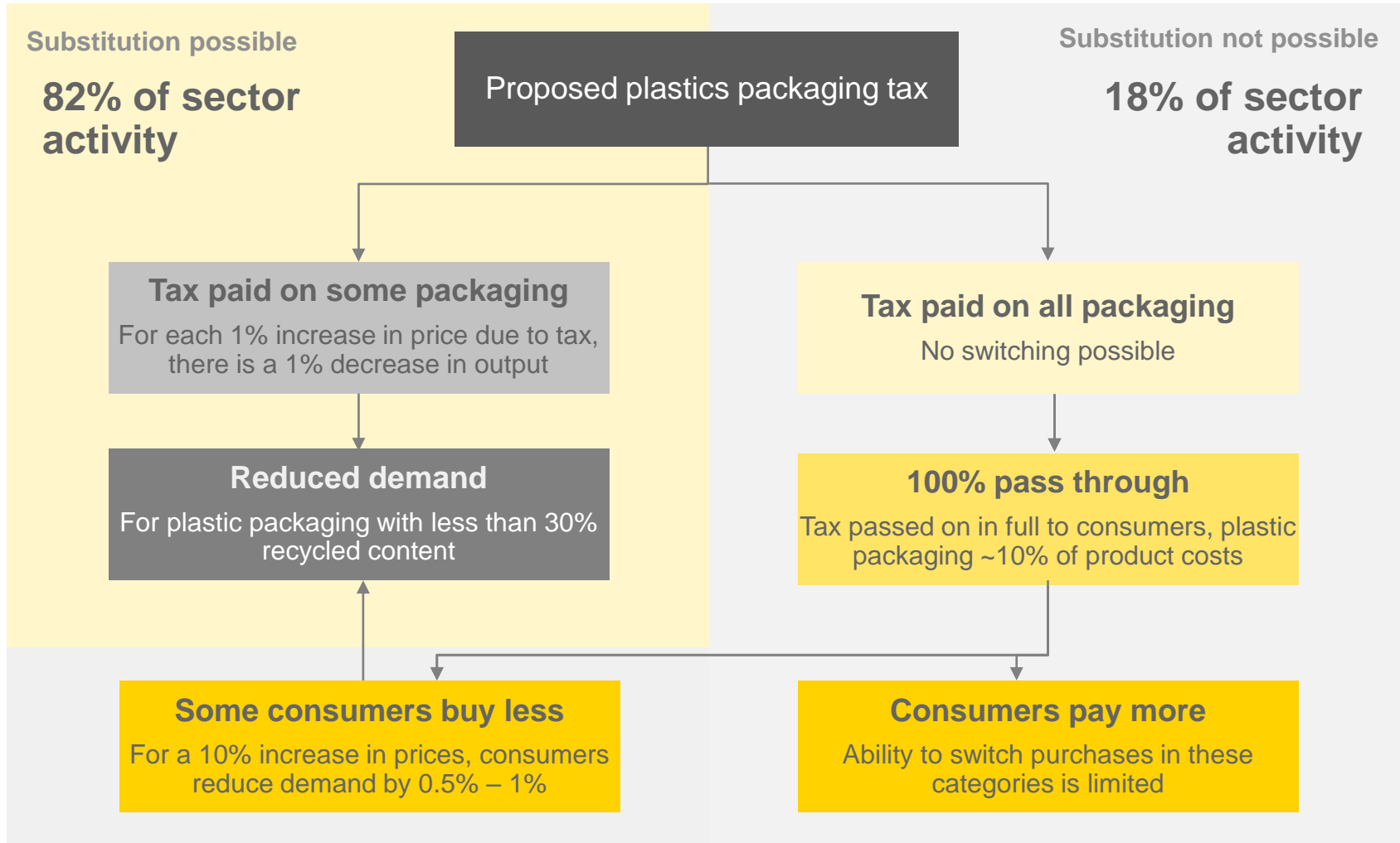


Source: BPF surveys, ONS, EY analysis

The proposed plastics packaging tax will likely reduce the size of the sector in 2022

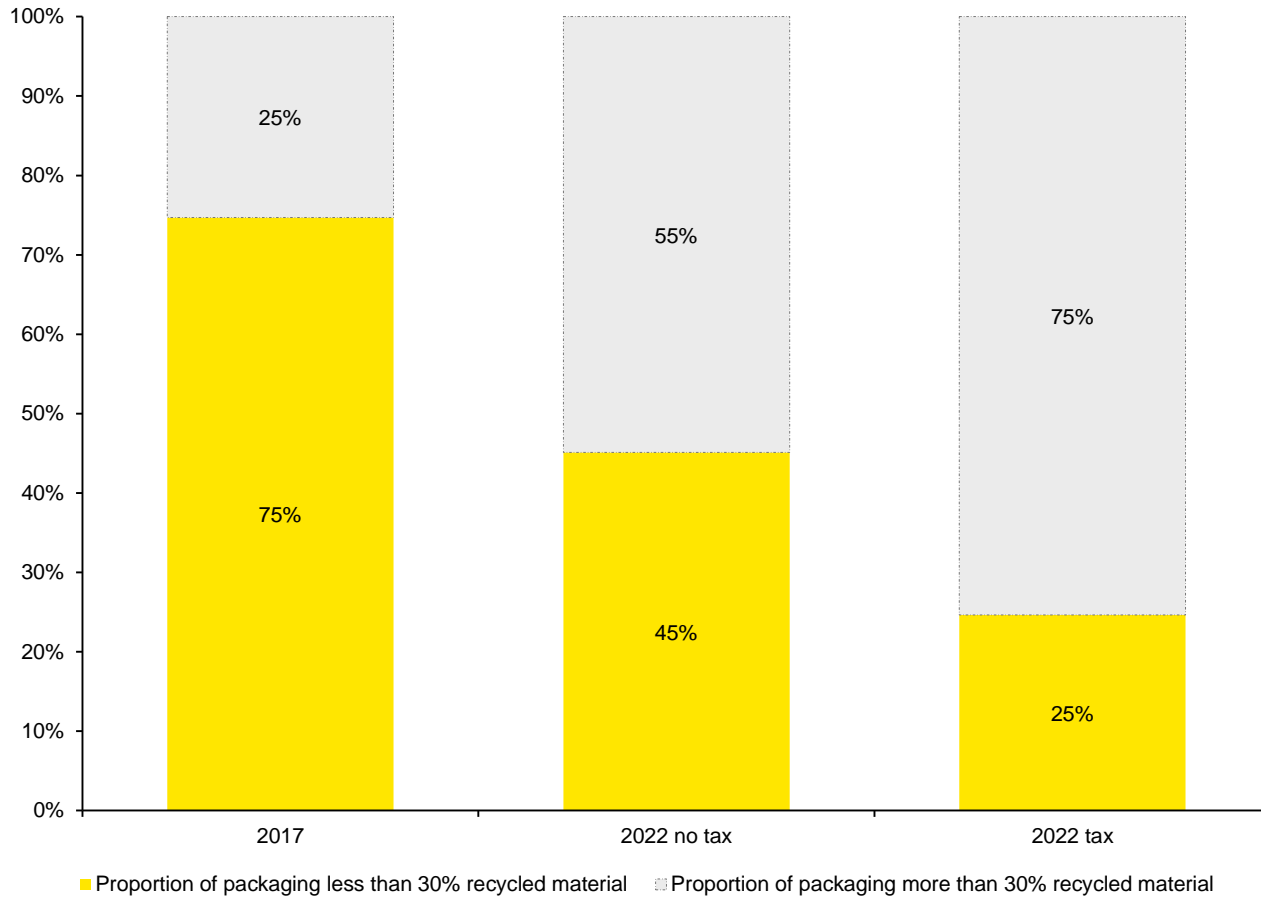


The proposed plastics packaging tax will likely reduce the size of the sector in 2022



The proposed tax would further increase recycled content in plastic packaging in 2022

Share of packaging with less and more than 30% recycled content, assuming £500 per tonne tax



Approaches to the policy proposal



Three options

- ▶ Marshal more data/evidence to support the “do nothing approach”
- ▶ Seek to mitigate the worst impacts of the current proposal
 - ▶ Longer timescales
 - ▶ Different thresholds
 - ▶ Exemptions
 - ▶ Lower rates
- ▶ Seek to supplant the current proposal with an alternative proposal which can
 - ▶ Focus on the overall objective
 - ▶ Ensure that incentive operates effectively

An alternative proposal

- ▶ The focus on recyclability ensures that there is an incentive to reduce waste.
- ▶ All plastic packaging can be brought within the tax, no need for exemptions e.g. for food contact
- ▶ In principle can be imposed on either producers or retailers

Next steps



Next steps

- ▶ Fully develop alternative proposal
- ▶ Produce policy paper
- ▶ Develop detailed response to consultation questions
- ▶ Meeting with HM Treasury on 8 May
- ▶ Submit consultation response on 12 May

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