



PLASTIC PACKAGING TAX

Issued 10 May 2019

ICAEW welcomes the opportunity to respond to the [plastic packaging tax](#) consultation published by HM Treasury on 18 February 2019.

We welcome the government's efforts to reduce plastic packaging but a demand-led approach rather than a new and complicated supply-side tax might prove more effective

This response of 10 May 2019 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System are summarised in Appendix 1.

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Introduction

1. We welcome the opportunity to respond to the consultation on a plastic packaging tax. We also welcome the fact that government is at the same time consulting on resources and waste more generally with parallel consultations on producer responsibility, waste collection and a deposit return scheme. The fact that the call for evidence launched in March 2018 received over 162,000 responses (including ours, [ICAEW REP 55/18](#)) is evidence of widespread concern amongst citizens about single use plastic waste, and we share this concern.
2. We support the government's efforts to reduce the amount of plastic waste. We are not experts in the operation and economics of the plastic packaging industry so are not in a position to respond to the very detailed consultation questions that are put forward in the consultation document. However, as chartered accountants with a Royal Charter obligation to act in the public interest, we agree that it is right to question whether so much plastic should be produced and also that greater efforts need to be made to move towards using alternatives to plastics and to recycling as much plastic as possible.
3. We consider that over reliance on plastic and the problem of how to dispose of it is a global problem which ideally needs a global solution. However, in the absence of tangible action internationally, we support the government for exploring ways of how this problem can be best addressed.

Is a tax really the best way to reduce plastic packaging?

4. Given that we support the policy objectives of reducing the amount of plastic produced and recycling as much as possible, what are the best ways of achieving those objectives? We appreciate that there is no easy solution but are not convinced that a complicated supply led tax such as that proposed in the consultation document is the right way to achieve them. Our concern is that a tax which is difficult for businesses to comply with, and therefore leads to compliance costs, is likely to be most visible to the general public through higher prices in the shops. This may make it difficult for citizens readily to identify the link with the need to reduce plastic production and waste and its associated long term benefits. In short, it is not a demand led approach.
5. This is in contrast to the plastic bag tax which we believe has worked well owing to it being a simple and direct measure and able to be acted upon by the taxpayer on the spot, coupled with a clear campaign to win the hearts and minds of shoppers that the existing use of plastic packaging is unsustainable. In effect, this was a demand led approach rather than supply led, but it highlights that a simple and effective demand led approach to the problem can have a direct impact on the supply chain.
6. If there is to be a plastic packaging tax, then there needs to be a comprehensive business case made for its introduction that examines all aspects of the problem. We would recommend that, as part of building this case, government needs to publish data on what it will do, how much it will raise and, of paramount importance to those who will have to administer it (ie HMRC and businesses), a realistic assessment of how much the tax will cost to design, implement, and then collect. We suggest that this needs more sophisticated analysis than HMRC's normal standard compliance cost analysis.
7. As we know from comments by HMRC's CEO to the Treasury and Public Accounts Committees in recent years, HMRC is facing unprecedented pressures on its resources and its capabilities due to the number of activities that it has on the go. We

do question whether this is the right time to add yet another complicated tax to its existing functions, when all its efforts should be focussed on ensuring that its existing projects, and in particular MTD for VAT, are introduced successfully and its business as usual activities, such as PAYE in real time, run smoothly.

8. We believe also that any new tax needs to comply with our *Ten Tenets for a Better Tax System*, summarised in Appendix 1, by which we benchmark the tax system and changes to it. We would expect any new tax to meet all of the tenets, but the most important are Tenets 2: that the application of the rules should be certain; 3: the rules should aim to be simple, understandable and clear in their objectives; and 4: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
9. We would also expect the rules to be constant once introduced (Tenet 6); subject to proper consultation with adequate time for both the drafting of tax legislation and full consultation on it (unlike for the recently-introduced structures and buildings relief) (Tenet 7); regularly reviewed (Tenet 8); and framed so as to encourage investment, capital and trade in and with the UK (Tenet 10).

Demand-led solutions might prove more effective

10. The more that citizens – and businesses – can see the direct link between cause and effect, and are encouraged to do the right thing rather than punished for doing the wrong thing, the more effectively will behaviour be driven. Given the concerns that we have set out above on the likely complications of this tax and the real costs of implementation for HMRC, could the same effect be achieved more quickly and easily through a demand-led solution rather than a supply-led solution?
11. We believe that there is sufficient public concern and acceptance of this problem that a more radical solution than what looks like a complicated new tax is needed, with all the attendant design and implementation costs that it will incur. While a tax will certainly increase costs which will eventually change behaviour, could not more be done to encourage and reward those businesses whose products are plastic packaging free rather than to punish those whose products are not?
12. For example, if there is a greater proportion of plastic packaging used in the home delivery of products as compared to products sold through the high street, might the latter be encouraged, perhaps through a reduction in business rates and recognition for 'plastic packaging free zones' that encourage citizens to buy products there?
13. Another, more radical, solution might be to reduce the use of single-use plastic through an outright ban on its production, or perhaps to require that it comprises not less than, say, 80% recycled plastic. Such approaches could be coupled with a timetable for its elimination, perhaps over a period of time that allows the packaging industry to adapt to a non-plastic, environmentally friendly and sustainable future. This is effectively what is happening with diesel road vehicles where ultra-low emission zones discourage drivers from using such vehicles in those localities by making it prohibitively expensive to do so.
14. We would also suggest that, to demonstrate leadership from the top and that government is taking the problem seriously, bite-sized public information videos should be produced (like in the 'sixties for seat belts and green cross code) to drive the message home about the damage that plastics are causing to our environment. These would reinforce the existing momentum and help to win over the hearts and minds of those still to be convinced. They could be shown on TV and circulated on social media.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see <https://goo.gl/x6UjJ5>).