

# Is your business ready for the new Plastic Packaging Tax?

From 1 April 2022, Plastic Packaging Tax (PPT) will be introduced in the UK. The UK Government is introducing this new tax to encourage the use of recycled rather than new plastic within plastic packaging.



This document is designed to provide an overview of the information available at 26th January 2022 and what businesses need to do now to prepare.

## What is covered under PPT?

PPT will apply to finished plastic packaging manufactured in, or imported into, the UK where the plastic used in its manufacture is less than 30% recycled. It will include:

- Plastic drinks bottles
- Ready meal trays
- Bubble wrap
- Sticky tape
- Re-usable plastic boxes
- Sandwich bags
- Bin bags

Where goods are imported, this includes filled packaging such as drinks bottles and ready meal trays.

The tax will be calculated at £200 per metric tonne of plastic packaging.

## Who must register and account for PPT?

At any time after 1st April 2022 you must register for PPT if your business meets either of the following conditions:

- 1** The manufacture or import of finished plastic packaging is expected to reach 10 tonnes or more in the following 30 days – you must register within 30 days of the first day that this condition is met.
- 2** You have manufactured or imported 10 tonnes or more of finished plastic packaging in a 12 month period ending on the last day of a calendar month (e.g. December) – The company becomes liable for PPT from the first day of the month and must register within 30 days.

For the second condition, there is a special arrangement on introduction of PPT so that a business only needs to register for the tax when the amount of plastic packaging is 10 tonnes or more in a 12 month period from 1 April 2022.



### What is 'finished' plastic packaging?

Finished packaging is in a format that can be used to contain and transport goods. This may be packaging that is fully complete (e.g. plastic carton), or semi-complete packaging, such as a plastic bottle without a cap.

The goods become liable to PPT on completion of manufacture in the UK, or at time of import into UK. For the latter, the consignee named on the UK import declaration will be responsible for retaining records and registering for PPT.

### When do I need to register?

Although registrations cannot be submitted until 1 April 2022, we recommend that businesses start reviewing plastic packaging production or supply chains to confirm whether you will have to register for PPT.

Evidence will need to be retained to confirm the quantities of plastic packaging so that this can be audited by HMRC. Such records include:

- Total amount in weight and a breakdown by weight of the materials used to manufacture plastic packaging, excluding packaging which is used to transport imported goods
- Data and calculations used to determine if a packaging component is, for the most part plastic, and how much recycled plastic it contains
- Weight of exempted plastic packaging and the reason for the exemption
- Amount in weight of plastic packaging exported, and allowed relief from the tax

We can assist with this analysis so that you can be confident that you have satisfactory records in place to justify exemption, or to calculate accurate taxable amounts for submission to HMRC.

**Further details on the records to be retained can be found [here](#)**

### Exceptions to PPT

There are 4 groups that are excepted from the tax. These are:

- 1 Transport packaging used when importing goods into the UK.
- 2 Plastic packaging used in aircraft, ship or railway stores for international journeys.
- 3 Plastic packaging produced or imported for use in the immediate packaging of a human medicine.
- 4 Components permanently designated or set aside for non-packaging use.



You must still include 3 and 4 when assessing whether you meet the 10 tonnes threshold of plastic packaging in a 12 month period for determining if you need to register for the tax even though the tax is not chargeable on these.

### Importing packaging into the UK

PPT will be liable on import of the packaging into the UK on clearance of the packaging by customs. Where goods are imported and placed into a customs procedure, such as inward processing or customs warehousing, the PPT will not be liable until the packaging is removed to free circulation. If the packaging is re-exported without being removed from the customs procedure, then PPT will not become liable.

Companies based outside the UK must be registered for and pay PPT if they import plastic packaging into the UK (e.g. under Delivered Duty Paid incoterms).

## What if I sell packaging that is ultimately exported from the UK?

If you produce or import packaging that is subsequently re-exported outside the UK, your business can apply to request a credit for or defer the tax. The packaging must be exported within certain timescales to qualify for a credit to be applied.

If you know at the time the tax is liable that the packaging will be exported, you can defer the tax provided the packaging is exported within 12 months.

If, at the time the tax is liable you do not know if the packaging will be exported, you must account for PPT and request a credit once you have received satisfactory evidence of export. In this instance the goods must be exported within two years.

## Group Registration

Companies who are part of a Group can apply to appoint a UK established representative member to administer the tax and submit the returns to HMRC. Each company in the group must meet the 10 tonne threshold to be accepted for a group registration.

## How do I register?

Companies will be able to apply for PPT from 1 April 2022 via the government gateway. The link to register is not yet available.

## What can I do to prepare?

We recommend that businesses review contracts with customers and suppliers now. You should ensure that contracts will allow you to charge PPT on to your customers from 1 April 2022. Failure to take this into account could result in additional costs which may have to be absorbed due to contractual restraints.

In addition, buyers of packaging from UK companies can be considered jointly liable for the PPT if HMRC can evidence that the buyer was aware the tax was not paid at the correct time. Therefore you should consider how you can get confirmation from your suppliers that they have correctly accounted for PPT.



If you would like to discuss PPT and how this will impact on your business, please contact one of our Indirect Tax Team on the contact details below.



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