



# PLASTIC PACKAGING TAX - CHEMICAL RECYCLING AND ADOPTION OF A MASS BALANCE APPROACH

Issued 10 October 2023

ICAEW welcomes the opportunity to comment on the Plastic Packaging Tax consultation regarding chemical recycling and the adoption of a mass balance approach published by HM Revenue & Customs on 18 July 2023, a copy of which is available from this [link](#).

For questions on this response please contact our Tax Faculty at [taxfac@icaew.com](mailto:taxfac@icaew.com) quoting REP 102/23.

This response of 10 October 2023 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the ICAEW 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, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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## ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK  
[icaew.com](http://icaew.com)

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)  
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

## KEY POINTS

1. ICAEW welcomes HMRC's commitment to supporting innovation in the waste management and recycling sector in the UK. Chemical recycling has an important role to play in ensuring enough plastic is recycled for use in plastic packaging in the UK.
2. It is therefore vital that a method is found to ensure it is possible to use chemically recycled plastic in packaging and not pay plastic packaging tax (PPT), where the amount of recycled plastic is over the relevant threshold (currently 30%).
3. However, ICAEW is not able to comment on the technical details of the consultation regarding the mass balance approach and mass balance models. Many of ICAEW's members have reported feeling 'overwhelmed' by the consultation. For a consultation that is fundamentally about tax, we consider that the consultation delves too deep into the technical detail of chemical recycling.
4. As per the ICAEW Tax Faculty's Ten Tenets for a better tax system (Appendix 1), taxes should be easy to collect and to calculate. Members already report that PPT is very difficult to comply with, particularly compared to the tax liability generally involved, so HMRC must ensure that any approach it settles on regarding the use of chemical recycling is as simple for businesses to administer as possible.
5. Furthermore, we have received reports from members that the cost of complying with PPT is in some cases higher than the PPT liability itself. We would therefore ask HMRC to consider whether it is appropriate to require businesses using a mass balance approach to suffer an additional cost of being independently certified by a third party.
6. If a certification scheme is pursued, it should be ensured that there are enough organisations offering certification such that there is a functioning market in this area, so that cost of certification is not too high. Where costs of certification are too high, some businesses may decide that certification is not worthwhile and that it is more cost effective to simply pay PPT on all plastic packaging.
7. The aim of PPT is 'to provide a clear economic incentive for businesses to use recycled plastic in the manufacture of plastic packaging'. A situation in which businesses cannot demonstrate, or cannot afford to demonstrate, that they are not chargeable to the tax would be a policy failure as the business would no longer have an economic incentive to use any recycled plastic in their plastic packaging. The introduction of a clearly defined 'escalator' may need to be considered to ensure PPT's policy goals can be met and to provide long-term certainty to businesses planning changes to their packaging.
8. HMRC is already overstretched and is not managing the tax system efficiently and effectively. These proposals would add further burdens on HMRC at a time when Government and stakeholders need to examine how the demands upon the organisation can be reduced so that service levels across all taxes can be improved.
9. Furthermore, we note that businesses with an annual turnover of over £1m that were responsible for more than 25 tonnes of packaging in 2022 are already subject to Extended Producer Responsibility (EPR). We question whether PPT will be necessary once EPR fees are introduced in October 2025.
10. In conclusion, while we support the policy objective of reducing the use of plastic and encouraging recycling, we question whether PPT in general and this latest consultation in particular are appropriate policy tools to achieve that. We suggest the Government explores whether other, non-tax related policy measures might be more effective, cheaper to administer and minimise the burdens on businesses.

## 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>).