Plastic Packaging Tax - The experience of a business outside of scope

Business model B

This business specialises in home delivery of fresh and frozen seafood products that it sources and prepares. They are not liable for the tax as they do not manufacture or import plastic packaging; they instead purchase their packaging from UK-based suppliers. However, they are still impacted by the tax, as the associated costs are being passed on to them by their suppliers and they must show due diligence to ensure that the tax has been properly accounted for in the supply chains that they are a part of.

The impact of Plastic Packaging Tax

Components in scope

Polystyrene, being cheap and widely available, is currently the business' preferred packaging material. Food hygiene requirements make recycled plastic which is suitable for food use difficult to source and packaging manufacturers are currently offering mainly non-recycled plastic, limiting the choice of companies trying to purchase suitable recycled packaging. There is a consumer demand for products using recycled plastic and so where availability of recycled plastics is low, the costs associated with these materials are greater, thus making them less affordable and countering the policy aim of disincentivising virgin raw material on cost grounds.

Moreover, paper-based products need to have a layer of laminate on them, to allow them to be sealed and prevent bacteria from getting into them. This shows how there are difficulties in moving away from plastic completely even where alternatives are being explored.

This type of business, purchasing multiple packaging components, must scrutinise supplier invoices to ensure that the tax is only added to in-scope components. To reduce their own administrative burden, some suppliers may be adding the tax to all components, regardless of whether the given component is 30% or more recycled, thus reducing the incentive for businesses to use recycled packaging.

Administration

The main administrative challenges that they are likely to face relate to:

- keeping product specifications updated,
- factoring PPT-related considerations into their annual self-assessment audit,
- having more time-consuming contact with their suppliers (to gain further information from them about packaging that's being purchased),
- the physical weighing of components (to check that suppliers' specifications are accurate),

- ensuring that a Finance Team member checks each invoice for the PPT declaration.

Most of HMRC's suggested due diligence checks are achievable for the business to implement without hiring further employees – much of the business' compliance in this respect is achieved through the Procurement Team asking for more information from suppliers. Getting signed documents from their suppliers to confirm that the tax has been properly accounted for should be fully achievable. The requirement to keep records of due diligence procedures for a minimum of six years after the end of the accounting period should also be deliverable.

However, completing physical inspections or audits of their suppliers is likely to be challenging on practical grounds, as some of their packaging is manufactured at sites located overseas. They may consider greater digitisation and less reliance on manual processes to help them meet their due diligence obligations.

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