

Association of Accounting Technicians (AAT) response to HMRC's Plastic Packaging Tax policy design consultation

Association of Accounting Technicians (AAT) wholeheartedly backs Government proposals for a Plastic Packaging Tax. This tax could play a very significant role in reducing plastic waste, positively changing producers' behaviour and ultimately benefit all consumers, the environment and economy. However, there are a number of improvements that could still be made.

Excluding plastic packaging used to facilitate the transport of imported goods

Given the environmental objectives of the Plastic Packaging Tax, AAT is uncomfortable with exclusions and exemptions but similarly accepts that there may be limited records of transport packaging used on imports, such as pallets, crates and pallet wrap, and that transport packaging is often applied and removed a number of times at different stages of the supply journey. As a result, AAT reluctantly agrees that this exemption currently makes sense. However, the government must honour its commitment to keep this under review so that the exclusion can be ended if and when practicable.

De minimis threshold

The decision to exempt all businesses that manufacture or import less than 10 tonnes of plastic packaging annually means that considerable efforts will need to be made to estimate and monitor tonnage. It will also require potentially costly enforcement. AAT continues to believe that, as set out in its response to the 2019 consultation on this subject¹, a more sensible way forward would be to exclude companies below the VAT registration threshold. This would avoid the need for estimating, monitoring and enforcement and furthermore would enable the utilisation of Making Tax Digital and the requirement for quarterly reporting on a digital basis without having to create anything new.

This consultation document questions the intended use of third-party agents to help meet the obligations for the tax and whether or not their responsibilities are likely to include filing returns.² It also asks about the expected costs to businesses of registering for the tax, and any expected one-off and on-going costs of completing, filing and paying the return³. Again, these are questions that would not need to be asked and concerns that would not be raised if government was simply to adopt AAT's suggestion, acknowledged in the government response to the first consultation, to impose a threshold that mirrored the VAT registration threshold of an annual turnover of £85,000 or less and to therefore utilise the existing MTD for VAT system.

Powers and penalties

With regard to powers and penalties, AAT confirms that it believes the proposed approach is appropriate.

In the previous consultation, the government proposed aligning with the penalties which are used more widely across HMRC regimes for breaches such as late registration, late filing, late payment, failure to provide information, failure to keep records and incorrect notifications. Like other respondents, AAT were supportive of the decision to align with existing penalties as far as possible, although it also suggested further penalties be considered too.

AAT is therefore pleased that this consultation confirms the government is also considering introducing criminal offences for manufacturers and importers who are liable for the tax and who have failed to register or who are fraudulently evading the tax.

¹ AAT response to the Plastic Packaging Tax consultation, 3 April 2019:

<https://www.aat.org.uk/prod/s3fs-public/assets/Consultation-response-plastic-packaging-tax.pdf>

² Q31, Plastic Packaging Tax Consultation 2020:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871559/Plastic_Packaging_Tax_-_Consultation.pdf

³ Q32, Plastic Packaging Tax Consultation 2020:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871559/Plastic_Packaging_Tax_-_Consultation.pdf

AAT also welcomes the decision that will enable businesses who do not agree with HMRC's decision to issue penalties or the decision to treat the plastic as taxable, to appeal. This needs to be sufficiently robust so as to avoid speculative appeals whilst being sufficiently flexible so as not to discourage those with a genuine disagreement from taking that disagreement forward.

Threshold

Both the 2019 and 2020 Government consultation documents frequently refer to the UK's Plastic Packaging Tax as "world leading" but many other countries have gone considerably further than is being proposed here.

As AAT highlighted in its 2019 response⁴, global food brands such as Kraft Heinz, have committed to making 100 percent of its packaging recyclable, reusable, or compostable by 2025 on a world-wide basis; the American Chemical Council's Plastics Division is working towards 100% of plastic packaging being recyclable or recoverable by 2030; in 2017; the European Commission confirmed it would work towards the goal of ensuring that all plastic packaging is recyclable by 2030 and in September 2018 the Australian Government pledged that i) 70% of plastic packaging will be recycled or composted by 2025 ii) 30% average recycled content will be included across all packaging by 2025 and iii) problematic and unnecessary single-use plastic packaging will be phased out through design, innovation or introduction of alternatives.

Considering this international context, introducing a tax with a 30% threshold appears to lack ambition on a global scale. Government should therefore take effective action by increasing the threshold to ensure the tax is genuinely "world leading".

About AAT

AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are more than 4,250 licensed accountants who provide accountancy and taxation services to over 400,000 British businesses.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

Further information

If you have any queries, require any further information or would like to discuss any of the above points in more detail, please contact Phil Hall, AAT Head of Public Affairs & Public Policy:

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Tuesday 7 April 2020



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⁴ AAT response to the Plastic Packaging Tax consultation, 3 April 2019:

<https://www.aat.org.uk/prod/s3fs-public/assets/Consultation-response-plastic-packaging-tax.pdf>