

## Plastic Packaging Tax - Technical Consultation

BPIF Labels is part of the British Printing Industries Federation and is a trade organisation representing the UK Pressure Sensitive (Self-Adhesive) label industry. BPIF Labels is recognised by FINAT, the umbrella trade organisation for Europe as the official representative for the UK industry. The manufacture of self-adhesive labels in the UK is **circa £1b industry** employing over **8,000 people**.

UK Label manufacturers use a wide range of materials, inks, varnishes and embellishment techniques and are serving a broad range of markets, many of them essential to the timely production and movement of goods in the UK economy with food, pharmaceutical and logistics being good examples.

BPIF Labels supports the Government's progress and initiatives aimed to preserve resources and move towards a circular economy but has concerns about the proposals for implementation of the Plastics Tax. We believe this tax could be collected at the **point of manufacture** of the plastic or the **first point of import**. This would make the tax simpler to understand, administer and monitor without loss of revenue or purpose.

The UK label industry supply chain has a small number of large and powerful global raw material suppliers at one end and large powerful buyers at the other, with a diverse range of some 350 label manufacturers in the middle, resulting in a constant squeeze on margins on the industry. This makes it extremely difficult to pass on increasing costs to customers and ultimately the consumer. However, there can be no doubt that wherever this tax lands it will eventually be the consumer bearing the costs. The implementation, administration and collection of the tax should therefore be made as clear, simple and cost-effective as possible.

Early documentation indicated and still states, "If you are a business that **manufactures or imports** plastic packaging, including if you import packaging that already contains goods, there are things you should do now to prepare for the tax."

This position is now much less clear following the announcement on the 20th of July of the consultation on draft legislation and the associated documents including a **Technical Note** on '**substantial modification**'. The Technical Note in describing a process and using examples declares **printing** and **laminating** are **substantial modifications**. These are typically but not exclusively processes that are completed at a stage later in the supply chain than the film manufacture or import.

We strongly challenge why printing is regarded as a **significant modification**. It adds **no substantial weight** to the product, and it **does not increase the plastic content** of the product, it merely turns the product into a more functional item. Laminating could change the plastic content but if the tax on the laminate and the tax on the base material were taxed at '**manufacture or first import**' the tax would already be accounted for, making the process of collecting tax much clearer, simpler and cost-effective.

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## L A B E L S

The **Technical Note** also seems to imply, by example, that the last significant modification could be at any point in the supply chain/manufacturing process. If printing remains a significant modification this could also take place at the point of labelling. Below is a typical base process for labels manufactured in the UK. If the tax point can be anywhere in this process, companies A B and C may not know where the final tax point will be.

### Typical process

**Company A: Plastics Extruder.** A Qualifying plastic label face material is manufactured in large volumes

*(This will most likely be manufactured outside the UK but could be manufactured in the UK)*

**Company B: Laminator.** Slit widths of the face material are supplied to coaters who supply the label industry with self-adhesive laminates. The coaters coat the face material with adhesive and laminate it to a backing carrier coated with silicone. The backing carrier may be paper or it may be another qualifying plastic film

*(This process will most likely be undertaken outside the UK but could be completed in the UK)*

The coaters or importers slit the laminate to the customer required width and supply the laminate to UK label converters

*(This process can be prior or post-import into the UK)*

**Company C: Printer/Converter** completes one or more of the following processes before finishing, packing and shipping to customer requirements. *(Customers may be in the UK, EU, or Worldwide)*

- a. Cuts to shape
- b. Prints with ink or foil
- c. Adds other embellishments such as embossing
- d. Adds varnish
- e. Adds laminate (this may be another qualifying material)

**Company D: Label User** The customer may use the label for an infinite number of purposes such as product identification, tracking goods, sealing packs, signage as examples. However, the following may be relevant factors concerning the tax.

- The label may be applied to a container made of qualifying plastic material
- The labels may be fully printed at the point of application or with additional information such as batch and date codes.

The finished labelled product is sold to the retailer and the retailer sells to a consumer or the label fulfils its purpose without further modification.

As a trade organisation, our role is to look after the interests of our members and where possible the wider industry. We know that our industry is not clear on how and where this tax will affect them and what they will need to do to comply if it does. More clarification must be provided relating to our industry to avoid major problems when the tax comes into force in April 2022.

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## LABELS

In summary, we would welcome response on the following:

1. Why is printing regarded as a substantial modification when it makes no difference to the plastic element being taxed.

Printing does not meet the criteria of '**significant change**' or '**chargeable modification**'. *i.e. printing does not change the shape, structure, thickness or weight of that plastic packaging component.* Making printing a '**significant modification**' adds a huge layer of complication and case-specific situations that will need to be resolved adding cost and administrative burden?

2. Will the tax apply to only importers or manufacturers of qualifying plastic materials or does it apply anywhere in the supply chain that a qualifying substantial modification takes place?

3. If the tax point could be anywhere along the supply chain how will those in front of the tax point know if the tax has already been charged and how will a company know for a certainty that a new tax point will not arise further down the supply chain. For example, an importer or stockist may not know if the material is to be printed or not? Making printers/converters joint and severally liable is grossly unfair.

4. If the policy objectives are aimed at influencing the move to 30%+ recycled content, how is it envisaged that taxing label converters will influence the decision on material usage?

5. If the policy objectives are aimed at influencing the move to 30%+ recycled content, how is it envisaged that situations where recycled content is legally not allowed – ie in food contact situations, are not subject to the tax?

6. What steps are being taken to ensure that costs of upgrading IT systems to manage any stewardship management do not become a further burden to printers/converters following Brexit and the Covid-19 pandemic?

7. How is it envisaged that the long-term increased burden on printers/converters for increased and "hidden" administrative costs for managing and maintaining stewardship be supported?

8. The industry will need adequate time to prepare their IT and administrative system to provide any necessary reporting for the tax and ensure their clients are aware of the implications. When can we and the industry expect clarification on these matters?

In conclusion we would urge you to **remove printing** as a **significant modification** and restrict the collection on tax on qualifying plastic materials to the point of manufacture or first import.

Please contact us should you require more information. We look forward to your response to the above questions.

Yours sincerely,  
Graham Backhouse  
BPIF Labels General Manager