

It is assumed that all questions are based on a Company that manufactures more than 10 tonnes of plastic packaging components and has registered to record and pay PPT on the products they manufacture.

- 1) Single use display shelves and presentation stands have been excluded from PPT. Regulation 5 of the Plastic Packaging Tax (Descriptions of Products) Regulations 2021: states “(2) This paragraph applies to any product that is designed to be suitable, whether alone or in combination with other products - (a) for single-use (even if it is capable of being used on more than one occasion)”

The sector needs clarification as to what “single use” is ie:-

- a) the images or text printed on the product limit the product to an event - ie “Mothers Day / Easter” etc.

And if so how long would “single use” be applicable – if the product last for a week, an event, or season – ie Daffodil bulbs which may be relevant during the whole of Spring?

- b) or is it that during the use of the display shelf or presentation stand, it can expect to be re-filled on 1 or more occasions from some separate form of transport packaging?

Shop display fittings designed for reuse are exempt from PPT. A display fitting designed to be used for a temporary purpose, such as Mother’s Day or Easter, would not be exempt even if it was refilled during its period of use.

- 2) Please can you explain why a window in a carton is treated as a separate plastic packaging component when the reality is that the industry recognises that the window and the carton combined are actually a single packaging product which is required to give product protection and allow for shipment through the supply chain.

If the window is formed by having a layer of clear material on the whole of the carton and a hole left in the other materials to create the window, this is a single component. If the window is formed by sticking a piece of clear material that only covers a hole left in the carton, known as a patch window, the window and the rest of the carton will be separate components. Although both parts may be needed to make the packaging effective, they are still two components. This is similar to a bottle and lid, which are two separate components even though both are needed so the bottle can be used in the supply chain.

- 3) Why should PPT be payable on plastic packaging that is in direct food contact when there is an exemption for human medicinal products. The intent of PPT is stated as “incentivising businesses to use more than 30% recycled plastics”. However, Legislation specifically prevents the use of recycled materials in direct food contact in many cases. This is not a “currently challenging” situation as no qualifying recycled alternatives can even be considered and simply taxes the supply chain, and thus consumer.

The aim of the tax is to provide a clear economic incentive for businesses to use recycled material in the production of plastic packaging. Many types of food packaging already include recycled plastic and the Government believes an exemption could undermine the incentive to develop new food safe recycling processes.

HMRC and HM Treasury officials will continue to work with the regulators in this area to monitor progress.

- 4) Company purchase 100kg of qualifying plastic product “for stock” and their supplier charges PPT.
50kg is used for non PPT qualifying products (ie face masks), 50kg is used for a PPT qualifying product during which there is 20% trim wastage.
What weight of product does the company claim a PPT refund on, and pay PPT on?

The tax is chargeable when a packaging component is finished or imported. A business does not “charge” PPT, they account for it if and when it becomes chargeable. PPT is not passed down the supply chain as a separate item like VAT, but prices can be increased to take account of PPT paid.

In this case, if the products produced are the supplier are finished plastic packaging components, they will need to account for PPT on all of them unless they are set aside at the point of manufacture for non-packaging use or export. If waste is still attached to the components and the exact weight of this waste is known at the time the tax becomes chargeable, no tax is due on the waste. If tax is paid on a component which is later used to manufacture a new component on which the tax is due, the business that paid the tax on the first component can claim a credit when they have evidence of the conversion.

- 5) Company purchase 100kg of qualifying plastic product and their supplier charges PPT.
Company prints (modifies) this with 10% waste in manufacture, but there is a production issue which results in the end product being scrapped before use.
What weight of product does the company claim a PPT refund on, and pay PPT on?

Again, PPT is not “charged” in this way. If the supplier manufactures or imports finished plastic packaging components, they will need to account for PPT. If they know that their customer will carry out a further substantial modification on the packaging, such as printing, then the components are not finished by the first business and responsibility for the tax passes to their customer. Any waste produced during this further modification is not subject to the tax as it is not finished packaging. Similarly, if the whole run is identified as waste at the time of production when the tax would be chargeable, then no tax is incurred. However, if the packaging components are only identified as faulty at a later stage after the tax has been accounted for, there is no refund of the tax paid as these were assessed to be finished components, and will still have an impact on the environment when they are disposed of.

- 6) Companies client supplies 100kg of PPT qualifying plastic material for a job, the client does not manufacture or import more than 10 tonnes of plastics.
Company is the last modifier with 10% waste in manufacture.
Assuming that Company will pass on the PPT cost, must the customer pay the cost of PPT on what was the customers material, and what would the PPT charge be?

PPT is chargeable when the last substantial modification is carried out by a business that has manufactured or imported at least 10 tonnes of plastic packaging in a 12 month period and is liable to register. The charge is not passed through the supply chain as a separate item in the way that VAT is. If a business carries out the last substantial modification on packaging owned by another business, it is the business carrying out the process that is liable for the tax, not the owner of the packaging.

- 7) Company A manufactures plastic tags for tracking materials in the steel & construction industry
- Tracking mail bags

- Tracking the manufacture of components in an industrial environment (for example car manufacture)
- Attaching to bins
- To notify a user on wheel change nut tightening
- In tracking ingredients through a food manufacturing process
- Identifying good and tracking in a warehouse
- For use in hospitals to identify cleaning products

Assuming the plastic material qualifies for tax would PPT be applicable if the tag is used for each of these purposes?

In all cases when considering whether something is packaging, the definition in section 48(1) Finance Act 2021 needs to be considered:

A “packaging component” is a product that is designed to be suitable for use, whether alone or in combination with other products, in the containment, protection, handling, delivery or presentation of goods at any stage in the supply chain of the goods from the producer of the goods to the user or consumer.

This gives two main things to consider:

1. Whether the product is designed to contain, protect, handle, deliver or present goods
2. Whether the product is designed to perform that function in the supply chain of goods from the producer to the consumer.

In the cases of labels and tags, these will usually be designed to handle, deliver or present goods, but you will need to consider if this is the case for all the items below. For the second condition you need to look at when the goods are designed to be used. In the cases of items 1,2,3,6 and 7, it sounds like the tags are being used to track other goods through the supply chain, so these likely would be in scope. For items 5 and 8, it is likely that these are being used by an end consumer and not in a supply chain, so they wouldn't meet this definition of packaging. The end consumer in this case can be a business or similar, so where the hospital is using those cleaning products, they are the end consumer of those cleaning products. For item 4, attaching to bins, I'm not certain where or how these bins will be used. If they are bins for waste then I'd expect that whoever is using the bin is the end consumer so these also wouldn't meet this definition of packaging.

If the packaging component meets this definition, it does not matter if it is produced or imported for use in the supply chain of the goods, or by a consumer or user. If all the tags described are the same, just with different uses, they will all be in scope of the tax.

In cases of items that have a packaging function but which are designed for use by an end consumer, you should consider whether they meet regulation 5 of the Plastic Packaging Tax (Descriptions of Products) Regulations 2021:

- (1) Products to which paragraph (2) applies are to be treated as “packaging components”.
- (2) This paragraph applies to any product that is designed to be suitable, whether alone or in combination with other products—
 - (a) for single-use (even if it is capable of being used on more than one occasion), and
 - (b) for use by a user or consumer in the containment, protection, handling, delivery or presentation of—

- (i) any commodity, or
- (ii) waste.

(3) For the purposes of this regulation, “waste” means any substance or object that is discarded by a user or consumer or that a user or consumer intends to be discarded.

For items 4, 5 and 8, which may not be used in the supply chain, you should consider whether the tags are single use. Examples of items that meet this second definition include plastic bags such as refuse bags and disposable cups and plates.

- 8) Is it acceptable for two or more companies to agree who should pay the tax in a supply chain. For example, company A buys self-adhesive laminate from company B. The face material and the backing carrier that form the laminate are two separate components. Company A will be printing on the face material which is the last substantial modification of that component and the tax point. Company A will make no substantial modification to the backing carrier and therefore the tax point should revert to the laminate supplier, company B.

The PPT charge on both items is being passed on to supplier A's customer so for simplicity company A agrees with company B it will pay the tax on both the face material and the backing carrier.

Is this sort of arrangement between companies acceptable, providing the appropriate returns are made and the tax paid?

No. The tax must be paid by the company that performs the last substantial modification or imports the packaging.

- 9) Company A manufactures more than 10 tonnes of plastic packaging components and has registered to record and pay PPT on the products they manufacture. Company A also purchases, shrink wrap, poly bags, and plastic packing fillers for packing and transporting goods to their customers. PPT tax, where necessary, has already been paid by the manufacturer of those items and company A makes no significant modification to them.

Does company A have to track those plastic items and record them on the quarterly PPT return?

No. If finished packaging is bought from a UK business, PPT will be the responsibility of the original manufacturer or importer.

- 10) Plastic Packaging Tax can be reclaimed if the component is subsequently exported. The nature of the packaging supply chain will make it difficult to track the destination of the component. In addition, many brand owners will want to avoid the onerous task of tracking and reporting back, with proopayment of PPTf, to the PPT taxpayer that the component has been exported and the PPT paid can be reclaimed.

Is there a requirement in law for the brand owner, in this case, to report that information back to the PPT taxpayer?

There is no requirement in law to pass on information about components which are exported. However, it is in the interests of the exporter to supply this information as PPT is

likely to be reflected in the price charged by the taxpayer if it cannot be reclaimed when the export takes place.

- 11) Company has an agreement with a client that requires them to bulk produce items that qualify for PPT and hold them in stock for up to 12 months. Invoicing to the end client can only take place on call off. Can the PPT point be moved to the point of invoice, as otherwise there is a further cash-flow pressure and if the end product is exported this reduces the window for a re-claim?

No, the tax is chargeable when the packaging is finished or imported.

- 12) If a company charges PPT on a separate invoice, so does not reflect the increase within its sale price, is VAT payable on the PPT invoice?

PPT is not passed through the supply chain as VAT is. If a separate invoice is issued to recoup the cost of PPT paid, this would form an increase in the overall price for VAT purposes and VAT would be payable on the whole price.

- 13) Company A imports more than 10 tonnes per annum of self-adhesive laminate construction in master reels. The laminate has plastic face material and a plastic backing paper. These substances do not have recycled content

The laminate construction is: Plastic face material, Adhesive, Silicone, Plastic backing paper

For PPT purposes HMRC say the backing/silicone as one component and the face material/adhesive as a separate component

Company A pays PPT on both components and holds them in stock.

Company A then slits the master reels into smaller reels and sells to company B. Company A includes the PPT charge in their prices.

Company B subsequently conducts a significant modification on the same material which is the last significant modification in the supply chain.

Company B calculates the tax due

For simplicity company A paid £1000 on import. Company B calculates a tax liability of £800 on the finished component because of waste

1. Can the £200 overpaid tax be reclaimed, by which company, and how?
2. If the amount of tax due after company B calculations was £1200. Do they just pay £200 additional tax?
3. What information needs to be recorded as company A will have no records of what Company B did with the material.
4. Does Company B claim from Company A and then Company A claim from HMRC.?

In this example, if company A knows that company B will perform a further substantial modification on the face material, they will not be responsible for accounting for PPT on the face material but will need to do so for the backing. If some of the face material becomes waste during the printing process, it will not be subject to the tax as it has not formed a finished plastic packaging component.

If company A pays PPT on the face material because it does not know that it will be printed on by company B, company A can claim a credit for any face material for which they obtain evidence that it has been converted into a new component (by printing) by company B. A credit will not be available for any waste generated as part of the printing process as the waste components will not have been converted into new packaging components. We recommend that businesses communicate with suppliers and customers to ensure that the whole supply chain knows when the last substantial modification will take place and who will be responsible for PPT. Under section 70 (3) and (4) of Finance Act 2021, contracts may be adjusted by suppliers of plastic packaging components requiring that the person being supplied with the components provide information to the supplier if the components subsequently undergo substantial modification to form a new plastic packaging component.