



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

David Newman
Managing Director
Bio-based and Biodegradable Industries Association
Pelmark House
11 Amwell Street
Ware
Herts
SG12 9HP

18 December 2020

Dear David,

Thank you for your letter dated 10 December 2020 about the design of the Government's Plastic Packaging Tax. In your letter you set out four key concerns regarding the tax, which I will address in turn.

On 12 November, the Government published the summary of responses to the recent consultation on the detailed design and implementation of the Plastic Packaging Tax. This included confirming the consultation proposal to include all bio-based, biodegradable and compostable plastic packaging in the scope of the tax. I can assure you that the decision on the treatment of compostable plastic packaging within the tax follows careful consideration, and extensive discussions with a wide range of stakeholders, including yourselves. The Government has conducted an extensive consultation process on this world-leading new tax, starting first with a call for evidence in 2018, followed by two consultations on the design of the tax; the first in 2019 and the second earlier this year, during which significant evidence was provided on the scope of the tax, including whether compostable materials should be included.

More widely, as part of the Bioeconomy Strategy, the Government is working with industry and the research community to better understand the impact of using

bio-based, biodegradable and compostable plastics, including its current call for evidence on setting standards for these materials. It is right that we await the outcome of this work before determining the implications for specific Government policies, including the Plastic Packaging Tax, and therefore include them within scope at this stage. Following the conclusion of the Strategy, the government will consider further these plastics in relation to Plastic Packaging Tax.

In relation to food-contact packaging, the aim of the tax is to provide a clear economic incentive for businesses to use recycled material in the production of plastic packaging. Without being included in the tax, the areas where it is currently challenging to increase the level of recycled content would have fewer incentives to find new ways to overcome these issues. 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. My officials will continue to work with the regulators in this area to monitor progress.

I can assure you that the Government will ensure robust compliance with the Plastic Packaging Tax. All packaging within the scope of the tax will be presumed to contain less than 30% recycled plastic unless it can be proved otherwise with sufficient evidence. The government understands that in some cases, businesses currently keep records to show the levels of recycled plastic in their packaging, particularly in sectors such as food and cosmetics where packaging is regulated. In addition, taxable businesses will be expected to carry out due diligence on their supply chains and processes which form the basis of the calculations underpinning the Plastic Packaging Tax. In order to ensure compliance with the tax, HMRC will use enforcement and inspection powers that are currently used to administer other taxes.

Finally, the tax is designed to be complementary to Defra's policies but it will have an impact in its own right by increasing the demand for recycled plastic, in turn encouraging more plastic to be recycled. The Packaging Producer Responsibility scheme that will increase the supply of easier-to-recycle plastic. It is right to deliver the tax and the reformed regulations in separate systems given the high level of complexity any combined system would bring. We will continue to ensure that the

tax complements the reforms to the Packaging Producer Responsibility regulations.

The Government welcomes the BBIA's support for the Plastic Packaging Tax in principle, and the extensive engagement with my officials throughout its development. Unfortunately, due to diary constraints, I am unable to accept your request for a meeting to discuss these issues. However, I hope this letter makes clear the reasoning for the Government's decision to include compostable plastic packaging within scope of the Plastic Packaging Tax at this time. Thank you for taking the time to make me aware of your concerns.

A handwritten signature in black ink that reads "Kemi Badenoch". The signature is written in a cursive, flowing style.

Kemi Badenoch MP
Exchequer Secretary to the Treasury