



VAT NEWSLETTER

## Plastic Packaging Taxes - an overview

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### 1 Background

As the climate crisis becomes increasingly tangible, the topics of environmental protection and sustainability are rapidly gaining in importance. One major aspect is the containment of environmentally harmful plastic waste. This is underlined at supranational level by resolutions of the UN and the EU. Since 01.01.2021, the EU has been levying a non-recycled plastic packaging waste tax on its Member States. This levy amounts to EUR 0.80 per kilogram. This EU levy has, in particular, prompted some Member States to expand existing national regulations or to establish new ones. Member States are free to decide whether and how they pass on the levy to companies through their national regulations. There are no plans to harmonise these levies within the EU. The levies can differ significantly in terms of the tax object and the taxpayer, but also in terms of the way the tax is levied and structured. As a rule, the tax liability also affects non-resident companies. The resulting complexity therefore requires keeping a close eye on developments in the individual Member States. Yet, fiscal instruments intended to assist in the reduction of plastic packaging waste are also becoming established outside the EU.

### 2 Current country overview on the taxation of plastic packaging

Although no longer in the EU, but as a state recently acting, as of 01.04.2022, the UK introduced a tax on plastic packaging with a recycling content of less than 30% produced in or imported into the UK. The tax is generally a flat rate of GBP 200 per tonne. Exceptions only apply for a de minimis threshold or e.g., for plastic packaging of human medical products. Foreign traders who import plastic packaging with their goods into the UK must also register with the UK Treasury for plastic packaging tax if they exceed the threshold of 10 tonnes of packaging waste after 01.04.2022 and must submit quarterly returns and pay the requisite tax.



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From 01.01.2023, Spain will also levy a tax on non-reusable plastic packaging. Semi-finished products for the production of plastic packaging, as well as plastic products for the closure, marketing and presentation of the same will also be subject to the taxation. In Spain, the tax is aimed at the final consumption. Therefore, the taxable event is linked to production and the intra-Community acquisition in Spain or importation into Spain. Accordingly, there are exemptions for export, intra-Community delivery and destruction of the packaging. The tax rate is EUR 0.45 per kilogram of non-recycled plastic in the above-mentioned packaging. Registration and quarterly reporting and payment will also be mandatory in Spain.

After several postponements, a tax on single-use plastic packaging was originally also to be levied in Italy as from 01.01.2023. However, according to the Italian government's press release of 22.11.2022, its introduction will be further postponed beyond 2023.

### 3 Current overview of countries with existing / alternative or without levies on plastic packaging

In countries such as Bulgaria, Denmark, Estonia, Latvia, Lithuania, the Netherlands, Romania, Slovenia and Hungary, (environmental) levies on (plastic) packaging have, in various forms, existed for some time. These have been extended or adapted several times in the past. Further extensions or adjustments are conceivable, especially against the background of the EU levy.

On 01.07.2022, Portugal introduced a levy of EUR 0.30 on the disposable plastic packaging of ready-to-eat meals. From 01.01.2023, the levy will also be charged on corresponding aluminium packaging.

Countries such as Belgium, France, Luxembourg, Austria, Sweden and the Czech Republic currently have no specific plans to pass on the EU levy in the form of national taxes or duties on plastic packaging. In Germany, the federal government is planning to pass on the EU levy to - among others - manufacturers of such packaging. However, as yet, no detailed German proposals are available.

### 4 Challenges and recommendations for action

The diversity and complexity of existing and new national regulations pose challenges for businesses. If the resulting obligations are not observed, or are observed too late or incorrectly, companies may face enforcement actions or fines may be imposed. The additional financial burden of such levies will affect pricing in the operational business. Internal processes may have to be adapted, e.g., by the introduction of new documentation obligations or additional invoicing requirements. This, in turn, will require the early involvement of affected companies' tax and legal departments.

Companies that use plastic packaging at different stages of the trade chain should therefore make themselves familiar with the respective national regulations. Among other things, individual definitions of plastic, as a taxation subject or extensive exemption rules, require detailed examination. In this context, it should be noted that, in some cases, laws already exist but there are no corresponding implementation instructions.