

Plastics and Packaging taxes

Environmental tax regulations targeted at the use of non-recyclable plastics are developing on a global level at a very fast pace. Businesses are faced with a range of different regulations targeting from raw plastics to finished products and from plastic packaging to waste management measures and imposing administrative, compliance and tax obligations.

In addition to the UK where the Plastic Packaging Tax (PPT) is already applicable since 1 April 2022, plastic tax regulations are now also set to enter into force in Spain and Italy on 1 January 2023, while other countries in the EU and beyond are introducing similar measures in the form of plastics and packaging taxes or through the reform of waste management fees (Extended Producer Responsibility – “EPR” schemes).

At the same time, a coalition of countries – including Switzerland – have announced their support for the adoption of a global treaty on plastics that will introduce legally binding measures to curb plastics pollution.

Plastics and packaging regulations affect businesses across all sectors and at different stages of their value chain, from manufacturing and distribution, to import and entry to the market of plastics or products containing plastic packaging. Since the current regulatory framework relating to plastics lacks harmonization, businesses may struggle to keep up with developments and the plastic taxes / levies / waste contributions introduced in each jurisdiction.

Key actions and considerations for businesses

Businesses need to develop a strategic roadmap with a focus on:

- Gaining awareness of plastics regulations and ongoing developments in the various territories
- Quantifying their exposure to plastic taxes, packaging levies and EPR contributions and measuring also impact on product pricing
- Identifying supply chain capabilities to optimize / mitigate the application of plastic taxes
- Ensuring that information across systems is complete and accurate to comply with reporting obligations.

Challenges

- Businesses may face a challenge trying to navigate a path through the changing tax environment as plastic tax regulations emerge rapidly around the world.
- As regulations on plastics are far from harmonized (i.e., type of tax, levy, or EPR mechanism used, scope, applicable exemptions, and collection mechanisms) companies may struggle to ascertain plastic rules applicability in each jurisdiction.
- Lack of compliance with plastics regulations could result in tax as well as commercial risks for businesses for sales into specific markets.
- ERP systems are most likely not ready to produce complete and accurate data for plastic tax reporting. Meeting the different reporting requirements could require gap analysis and adaptations to the ERP systems to collect and store relevant data.
- Given the different compliance rules implemented in the various countries, the costs associated with implementing compliance processes and plastic tax reporting could be significant without proper planning.
- Businesses should ensure the resilience of their pricing model to the application of plastic taxes.
- Businesses should consider options to transform their supply chain and implement more sustainable practices, for instance by exploring new manufacturing processes and industry partnerships.

How KPMG can help

- Perform readiness workshops to increase business awareness of plastics regulations and environmental tax developments.
- Use data-driven solutions to identify and quantify exposure to plastic tax, packaging levies and EPR regulations across the existing supply chain model.
- Assist with the performance of readiness checks on ERP data to ensure that the set of data required for plastics tax reporting is complete and accurate.
- Review the agreements and terms with suppliers and customers to identify necessary adaptations and assess exposure to joint and several liabilities.
- Assist with the definition and implementation of a global reporting and compliance framework including possible technology/automation solutions to manage plastic tax reporting obligations.
- Assist businesses in their invoicing and reporting processes to integrate plastic tax requirements.
- Provide tax planning solutions to design and implement more tax-efficient supply chains.
- Evaluate plastic tax risks in due diligence processes.

Your benefits

- Global team of tax experts to help you monitor plastic tax and EPR developments and anticipate changes
- Cost effective and data-driven approach to accurately track and measure plastic tax exposures and opportunities
- Clarity on how to establish an efficient global reporting and compliance framework
- Comprehensive, value-based strategic tax planning to drive towards tax-efficient supply chains

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