



Euro Tax Flash from KPMG's EU Tax Centre



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EU recovery package – Plastic Tax

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In July 2020, European Union (EU) heads of government reached agreement on the EU recovery package to mitigate the consequences of the COVID-19 pandemic. The package contains a EUR 750 billion recovery fund and a new multi-year budget (2021-2027). The agreement includes new environment-related measures at EU level, including a so-called “plastic tax”. The EU will start collecting tax on non-recyclable plastic to encourage the reuse of plastic but, at this moment, only a few details are known.

Initial calculations indicate that the plastic tax should provide the EU with between EUR 6 billion and EUR 8 billion of additional revenue each year. Member States will have to collect the tax but the revenue should be remitted to the EU. The tax is calculated on the basis of the weight of non-recyclable plastic packaging waste at an expected rate of EUR 0.80 per kilogram. It is envisaged that the new tax will come into effect on January 1, 2021.

What is next?

As a next step, further details on the tax will have to be worked out in a specific law and approved by the European Parliament and Council of the EU. While much of the detail remains unclear, it is already clear that the Member States will have a large degree of freedom as to how they implement measures to collect the funds to be transferred to the EU. The implementation and complexity of different schemes from country to country will likely lead to a

host of heterogeneous measures. Further, Member states will have to transfer the amount calculated by the Commission to the central budget regardless of whether they have set up a national system to collect the tax. We understand, for example, that [Austria](#) intends to pay its contribution from its national budget.

However, the decision to create a new tax needs to be ratified by all national parliaments. The EU expects to complete this ratification process by the end of December 2020 so that the new system can start operating from next January.

What is the impact?

This will depend on the exact scope of the tax proposed by the EU and on how each Member State chooses to implement the provisions set out by the EU. The impact on individual taxpayers will depend on, for example: whether the Member State chooses to collect the tax by way of a tax on specific taxpayers; the definition of taxed products; the mechanism to collect the tax; the appeal and/or refund options, if appropriate; and so on.

Matters taxpayers will want to see clarified will include, importantly, at what level in the supply chain / manufacturing process will the collection point be and therefore who the final taxpayer is. For example, will it be the manufacturer of the non-recyclable plastic, the company using the non-recyclable plastic as part of its process or product (e.g. for use in transportation as containers, as packing material) or the last seller of the non-recyclable plastic to a final consumer?

At the moment it is possible that many companies from various industries could be impacted and therefore taxpayers will want clarity when the legislation implementing the tax is issued

One thing seems to be clear: the tax burden will not only be a fiscal but also a compliance burden because the obligation to implement robust and compliant tax assessment and collection processes in the impacted companies will be needed as of January 1, 2021.

What is our advice?

Assuming that the proposals are ratified by national parliaments, it is a very short time frame from the announcement to the proposed start date of the tax and it is important that the tax is implemented in a way that provides clarity. We would therefore advise clients to consult with their industry associations and through other appropriate channels to contribute to the debate on how the tax can be best implemented with a view to efficiency and effectiveness for both governments and taxpayers. We also advise to start with a high-level impact assessment of plastic tax, based on the information that is currently available and latest developments. Based on our experience, it could be helpful to further analyze certain areas, for instance: calculation methodology, qualification of activities, exemptions available, relevance of plastic tax for VAT, value chain analysis, etc.

How can KPMG help?

We will track and keep you informed on the implementation of the planned rules in the EU and in individual Member States, on a regular basis. Once the tax collection process has been clarified, KPMG member firms can assist affected companies through the immediate next steps, bearing in mind the start date of January 1, 2021, and assist with the implementation of

appropriate compliance processes. KPMG's global network of member firms is available to support clients regarding the approach on this topic and assist with a high-level impact assessment of the plastic tax.

We expect that more details about the new plastic tax will become available in the coming weeks. In the meantime, please contact either [Gabriel Kurt](#) or [Merijn Betjes](#) or your usual KPMG adviser if you wish to discuss further.

Should you have any queries, please do not hesitate to contact [KPMG's EU Tax Centre](#), or, as appropriate, your local KPMG tax advisor.



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