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Tax & Legal

# Plastic taxes - A European perspective

**'Packaging'  
environmental tax  
regulations**

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# The use of environmental taxes to drive the sustainability agenda is on the rise and new regulations and legislation are being introduced on a global scale at a rapid pace

While plastics tax is not a new concept, it is quickly becoming a legislative discussion point in several regions and countries as governments implement various environmental protection methods to combat climate change and tackle waste and pollution. The plastic tax wave towards greater sustainability and circularity.

## Background

The European Union (EU), which was instrumental in brokering the Paris Agreement<sup>(1)</sup> and has been at the forefront of international efforts to fight climate change, launched the European Green Deal in 2019 as its action plan to transform the EU economy for a sustainable future. To achieve the ambitions set out in the Green Deal, the EU is, amongst other efforts, working on revising existing environmental policy packages, Directives and legislation. One of the revisions relates to the EU's plastics strategy<sup>(2)</sup>, which is a key element of Europe's transition towards carbon neutrality and part of the EU's Circular Economy Action Plan<sup>(3)</sup>. Specifically, plastics and packaging are addressed within the Green Deal under the 'environment and oceans' action plan.



## The action plan: a circular economy to tackle plastic pollution

A traditional linear model sees natural resources introduced into a manufacturing system that are then used to produce a product which is ultimately disposed. In comparison, a circular economy is based on the principles of designing out waste and pollution, keeping products and materials in use and regenerating natural systems by minimizing the amount of new raw materials required.

Taxes and tax incentives can play a role in directing behavior at each stage of the circular economy life cycle. For example, natural resources taxes on the extraction of raw materials or on the use of raw materials in the production process may lead to increased circularity in extraction or production systems. Specific to tackling plastic pollution, there are several points in the circular economy lifecycle that a plastics tax can be introduced to trigger

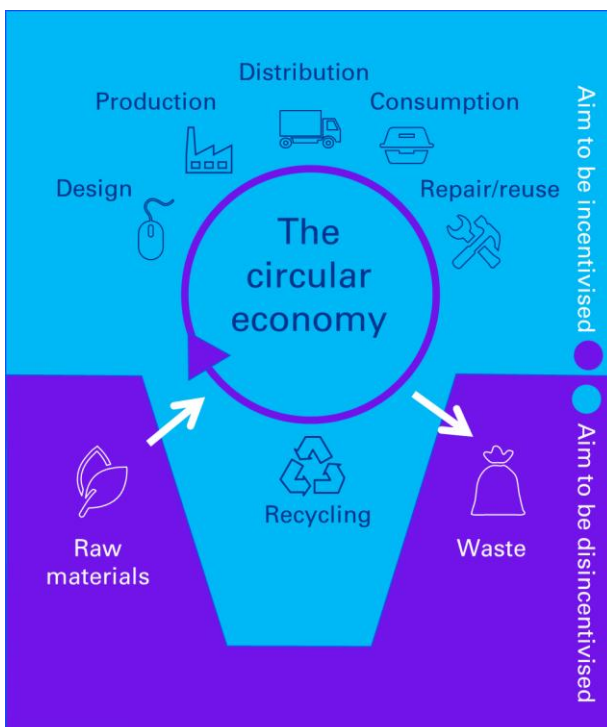
the necessary reductions in both plastics production and consumption along the supply chain. For example, taxes may be levied on the use of virgin plastic materials, on the production (or importation) of non-reusable plastic packaging, or on the generation of residual plastics waste.

### The European approach

To direct behavior in tackling plastic pollution, the EU has in place specific rules and targets that apply to certain areas, including single-use plastics, plastic packaging, and microplastics<sup>(4)</sup>. However, rather than a regional tax, the EU has introduced an 'own resource plastics contribution', which is a national contribution from each Member State based on the amount of non-recycled plastic packaging waste. This contribution is only between the EU and the Member States and is based on the amount of non-recycled plastic packaging waste produced by each Member State. It is, however, up to each Member State to decide whether or not they will introduce their own in-country plastics tax.

The EU's plastics contribution was introduced in 2021 as part of the temporary EU economic recovery package to support Member States adversely impacted by the Covid-19 pandemic and is a new revenue source to the 2021–2027 EU budget. This own resource is closely linked to the EU policy priorities.

Estimates indicated that this new plastic contribution would provide the EU with approximately EUR 7 billion of additional revenue each year<sup>(5)</sup>. Set in accordance with the European strategy, the national contributions are proportional to the quantity of plastic packaging waste that is not recycled in each Member State. To avoid an excessively regressive impact on national contributions, an adjustment mechanism with an annual lump sum reduction is applied to contributions from some Member States<sup>(6)</sup>.



## How does it work?

Implemented per 1 January 2021, the contribution is calculated on a uniform rate of EUR 0.80 per kilogram of non-recycled plastic packaging waste. The contributions are calculated based on [Eurostat data](#), which Member States already collect and provide under existing reporting obligations (specifically the [Packaging and Packaging Waste Directive](#) and its [Implementing Decision \(Decision \(EU\) 2019/665\)](#)).

The European Commission first calculates the contributions based on forecasts as the exact data is reported to Eurostat in July of the year N+2, which is a standard practice also applied for other sources of revenue to the EU budget. Once final data is available, the European Commission will adapt the calculations of Member States contributions accordingly.

For instance, in 2021 (after the entry into force of the [Own Resources Decision](#)), Member

States paid their contributions, on a monthly basis based on forecasts. This contribution will be adjusted after July 2023 (July in the year N+2), when the final data becomes available.

## Member States' contributions – how is it funded?

Currently, Member States have adopted, or are considering adopting, one of the following two main approaches:

- Member States pay the contribution from their own national budget, regardless of whether they have set up a national system to collect the tax (as in Sweden's case); or
- Member States design their own tax legislation ('plastics tax') and set up a national system to collect the tax by way of a tax on specific taxpayers. (Each country determines the definition of taxed products, the mechanism to collect the tax, the refund options, etc.).



## Country-specific legislation

Many countries have taxes on specific kinds of plastics, such as taxes on plastic bags, which are present in approximately 27 countries and territories across four continents. However, more extensive plastics taxes are less common.

The following provides a high-level overview of which European countries are farthest along in the legislative process towards introducing more comprehensive plastic taxes:

Jurisdiction	Regulation	Taxpayer	Effective date	Cost
Italy	<p>Italy has proposed a plastic tax on the consumption of manufactured single-use plastic products, from which non-reusable plastic packaging will be produced.</p> <p>Exemptions include pre-defined medical devices and plastic materials contained in single-use products that derive from recycling processes</p>	The manufacturer or importer.	The tax is expected to come into force on 1 January 2023.	EUR 0.45 per kilogram of plastic.
Spain	<p>Spain has introduced an excise tax on non-reusable plastic packaging products.</p> <p>There is no threshold of recycled content to determine the taxability of the product. Exemptions include recycled plastic and non-reusable plastic packaging that is used for the protection, distribution and presentation of medical, agricultural and livestock products.</p>	The manufacturer or importer.	The tax is expected to come into force on 1 January 2023.	EUR 0.45 per kilogram of plastic.
United Kingdom	The tax arises when a chargeable plastic packaging component is produced in the UK or imported in the UK and applies to any single use product with less than 30% recycled material	The manufacturer or importer.	1 April 2022.	GBP 200 per tonne of chargeable plastic packaging components.

## What does Plastics Tax mean for business?

The attention to plastics is increasing not only on a European level, but globally as well. Plastics tax introductions are happening quickly, and it is important to remain informed about both European developments and developments in the countries where organizations have business or production facilities, as companies could face significant additional pass-through costs with the implementation of plastic taxes.

The impact on businesses may vary in different jurisdictions, depending on the type of plastics tax. The direct effect is the increase in costs for affected manufacturers and importers as in-scope plastic products attract plastics taxes. Indirectly, entire downstream supply chains may be affected as product costs increase – from businesses buying the plastic packaging products or components to consumers and even waste management companies.

The current regulatory frameworks relating to plastics lacks harmonization within Europe. While plastic products may not attract a 'plastics tax', this does not mean that there is no additional cost associated with the use or consumption of plastics products. For instance, the Netherlands has a packaging waste management contribution, Bulgaria levies a product fee in certain plastic products and Romania has a contribution levy on certain plastic items.

It is, therefore, important to keep abreast of legislative developments, both tax and non-tax, and assess its applicability to the organization:

- What types of plastics are in scope (single-use, plastic bags, microplastics, plastic waste, etc.)?

- Will restrictions on the percentage of recyclable vs. non-recyclable plastic content be introduced?
- At what point will plastics be taxable (imports, production, distribution, market entry, etc.)?
- What are the reporting obligations? Will new systems have to be introduced to keep track of the percentage of non-recycled plastic used?
- Are there other plastics levies or waste contributions in place in the jurisdiction in which an organization operates?

## How KPMG professionals can help

KPMG firms have developed a leading global [Climate Change and Decarbonization practice](#). Working alongside ESG Tax and Legal teams, they deliver leading approaches as they work collaboratively with clients on the journey to a low carbon, sustainable future.

KPMG ESG professionals can assist you with a climate risk and decarbonization strategy that includes helping you gain strategic foresight and operational value across your organization. All of this is supported by an array of options, such as plastics tax legislative scanning to remain abreast of current and upcoming regulation developments, circular economy, climate risk and supply chain impact assessments, and ESG measurement, assurance and reporting services that enable the development and implementation of methods, tools and frameworks to better track and measure plastics and climate-related risks and opportunities.

# For more information, please contact a KPMG professional below:



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- Source: (1) The first universal, legally binding global climate agreement, signed on 22 April 2016 and ratified by the European Union on 5 October 2016, in terms of which the signatories to the Paris Agreement have all committed to limiting and reducing their greenhouse gas emissions by 2050.
- (2) [https://environment.ec.europa.eu/strategy/plasticsstrategy\\_en#:~:text=The%20EU%20adopted%20a%20European,carbon%20neutral%20and%20circular%20economy.](https://environment.ec.europa.eu/strategy/plasticsstrategy_en#:~:text=The%20EU%20adopted%20a%20European,carbon%20neutral%20and%20circular%20economy.)
- (3) [https://environment.ec.europa.eu/strategy/circular-economy-action-plan\\_en](https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en).
- (4) The EU intends to extend the rules to cover bio-based, biodegradable and compostable plastics as well.
- (5) <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018PC0325> (section 3.4).
- (6) <https://data.consilium.europa.eu/doc/document/ST-10025-2020-INIT/en/pdf> (page 11).