



Plastic Packaging Tax

Clause 103 – Pre-consumer plastic

Executive Summary

This clause means that pre-consumer plastic can no longer contribute to the 30% recycled plastic threshold for exemption from plastic packaging tax from 1 April 2027.

We understand there is concern among sector specialists about a current lack of facilities in the UK for producing large amounts of chemically recycled plastic to replace pre-consumer waste, and a belief that it will take several years to construct such facilities. The government do not seem to have responded to these concerns.

Overview of the measure

- 1.1 There is an exemption from plastic packaging tax (PPT) for products which achieve a 30% recycled plastic threshold. Currently, this recycled plastic can come from either pre- or post-consumer waste.
- 1.2 Clause 103 removes 'pre-consumer plastic' from contributing to qualifying for the exemption, by removing it from the definition of 'recovered material' in section 49(4) and (5) of Finance Act 2021, which in turn removes pre-consumer plastic from the definition of 'recycled plastic' in section 49(2). This will be with effect from 1 April 2027.
- 1.3 In the explanatory notes for this clause the government argue that this measure is necessary to tackle "a tax loophole which has enabled some businesses to claim tax relief on material that is cost effective to reprocess".

Plastic Packaging Tax consultation 2023

- 1.4 HMRC published its consultation, '[Plastic Packaging Tax – chemical recycling and adoption of a mass balance approach](#)' on 18 July 2023 and it ran until October 2023. The consultation outcome was published on 30 October 2024.
- 1.5 Section 3.3 of the consultation focused on pre-consumer plastic waste, with only one question, number 13, asking for feedback:

'Question 13: Do you agree that pre-consumer waste should be phased out as being classed as recycled material for Plastic Packaging Tax if chemically recycled plastic using a mass balance approach is permitted? Please supply information and comparative costs of recycling to support your answer.'

- 1.6 The consultation outcome confirmed the intention to remove pre-consumer waste from exemption and sets out the reasons why. It also indicated that further engagement with the sector would take place but there has been no update commenting on the conclusions arising from this engagement.

CIOT comments

- 1.7 We understand that after the publication of the consultation outcome, representations were made to HMRC by sector specialists, highlighting the financial investment in reprocessing plant for more complex reprocessing (e.g. for de-inking plastic) without which the pre-consumer plastic would not be able to be reused, and noting the short timeline between the implementation of plastic packaging tax in April 2022 and the upcoming change to the exemption. Businesses have made investment decisions based on legislative certainty, but this change in definition has arisen in a relatively short timeframe (notwithstanding that section 49(8) of Finance Act 2021 allowed for future change of the definition of recycled plastic).
- 1.8 Concerns were raised about the availability of recycled plastic to the wider sector due to removing pre-consumer waste from PPT at the same time as introducing the exemption of chemically recycled plastic (clause 102), noting the current lack of facilities in the UK to produce similar amounts of chemically recycled plastic as pre-consumer waste. It was envisaged that it would take several years to construct facilities capable of creating such chemically recycled plastic so questions have been raised about why the two separate matters must be implemented at the same time.
- 1.9 Whilst the CIOT generally supports measures to remove tax loopholes, we note that there has been no update to the consultation page with outcomes to the additional issues raised in the post-consultation engagement that publicly addresses concerns raised, which is not ideal. Ministers should respond to these concerns during the debate.

2 The Chartered Institute of Taxation

- 2.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the United Kingdom concerned solely with taxation. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.2 The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries. The CIOT's comments and recommendations on tax issues are made in line with our charitable objectives: we are politically neutral in our work.
- 2.3 The CIOT's 20,000 members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

For further information, please contact:
George Crozier, CIOT Head of External Relations
gcrozier@tax.org.uk / 020 7340 0569

The Chartered Institute of Taxation
27 January 2026