



## **UK Imposed Plastic Packaging Tax**

On 11 March 2020, the Chancellor of the Exchequer, Rishi Sunak announced UK budget 2020 in the House of Commons by laying down plans to unleash Britain's potential and open a new chapter for the economy for almost 30 years. According to The Sun, this is the first Budget for the UK in more than 40 years as a non-EU member state after Britain exited the EU on 31 January 2020.

### **Plastic Packaging Tax**

Under the new budget, the Chancellor unveiled £30 billion of stimulus to boost the country's economy in the face of the Coronavirus outbreak and more than £600 billion for infrastructure spending over the next five years. The Chancellor also revealed that he will revise the fiscal rules set out by his predecessor Sajid Javid, launch a review into business rates and give the National Health Service (NHS) an extra £6 billion.

The UK Chancellor Rishi Sunak also revealed that a new Plastic Packaging Tax will be introduced starting from April 2022 as part of the Budget 2020. Under the tax, manufacturers and importers will be charged £200 per ton on product packaging made of less than 30 per cent of recycled plastic. The purpose of the tax introduction is to encourage producers to increase their usage of recycled materials. Thus the use of recycled plastics in packaging will increase by 40 per cent which is equal to carbon savings of nearly 200,000 tonnes as stated by Sunak.

According to letrecycle.com, the plastic packaging tax was initially announced in the 2018 Budget and was brought into consultation in spring 2019. The Chancellor also included an additional 700,000 pound to establish the Extended Producer Responsibility (EPR) scheme designed to encourage producers to make their packaging more recyclable and reduce the amount of unnecessary packaging in their products.

UK was Malaysia's 11th largest export destination for plastic products with total export amounting to RM 305.1 million last year. Therefore, the plastic packaging tax will directly affect the Malaysian manufacturers and its importers whose packaging products have less than 30 per cent of recycle materials.

### **The way forward**

Malaysian exporters should be aware of the enforcement imposed by the UK government and take necessary steps to explore for alternatives to reduce the usage of plastic products. They must ensure that the plastic packaging product they used has more than 30 per cent recycle plastic. This will avoid any tax imposed, thus the products remained competitive.

For further information and enquiries, please contact MATRADE London at [london@matrade.gov.my](mailto:london@matrade.gov.my)

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