

Factsheet 9

UK Plastic Packaging Tax

An Apparel Supplier's Guide

**Key Sustainability Legislation
in the EU, US, and UK**

EU Corporate Sustainability Due Diligence Directive
EU Corporate Sustainability Reporting Directive
New York Fashion Act
EU Forced Labour Regulation & Guide
US Uyghur Forced Labor Prevention Act
EU Ecodesign for Sustainable Products Regulation
EU Packaging & Packaging Waste Directive & Proposal
EU Microplastics Regulation
UK Plastic Packaging Tax
EU Product Environment Footprint Guide
EU Textile Regulation
EU Taxonomy

Acknowledgements

This resource was commissioned and led by:

Epic Group
Norlanka Manufacturing Colomo Ltd.
Shahi Exports Pvt. Ltd.
Simple Approach
Transformers Foundation



In addition, this research was also supported by:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, GIZ FABRIC Asia
Transformers Foundation



Author:

The Remedy Project is a social enterprise that works to improve access to justice and remedy for migrant workers in global supply chains. They work constructively with governments, civil society, law enforcement, and the private sector to translate the UN Guiding Principles on Business and Human Rights into practice. For more information please see www.remedyproject.co.

Graphic Design:

Fiona Fung

This document should not be construed as legal advice or a legal opinion on any specific facts or circumstances. This document is not intended to create, and receipt of it does not constitute, a lawyer-client relationship. The contents are intended for general informational purposes only, and you are urged to consult your legal counsel concerning any particular situation and any specific legal question you may have.

In addition, many of the legislations covered in this document remain at the early stages of the relevant legislative procedure. The information provided herein has been developed based on the latest draft of the proposed legislation at the time of writing. It is intended that the guidance and recommendations provided in this document will be updated as the legislation develops.

Introduction

a. Objective

This document is intended to enable suppliers in the apparel value chain that are established or headquartered outside of the Global North¹, or whose operations are based outside these jurisdictions or whose supply chains extend to the Global South, to better understand how sustainability-related legislation in the Global North could potentially impact them. While suppliers may not, in all cases, be directly subject to the obligations created by these Global North laws, they may still experience knock-on effects as they form an integral part of the global apparel value chain and produce goods for multinational brands and retailers who have increasing compliance obligations as they adopt new practices in order to respond to the increased legislation. As such, this document aims to:

- Offer a public resource and roadmap for suppliers to proactively respond to and prepare for the requirements of these Global North laws.
- Provide a platform for dialogue and information exchange where suppliers and manufacturers can explore engagement (where possible) with policy makers in Global North jurisdictions.
- Support suppliers in delivering the fashion industry's social and environmental performance goals, and drive meaningful change for rights holders – whether workers, local communities, cotton farmers– globally.

b. Who commissioned this resource and why

This resource was initiated and led by suppliers across production tiers and locations facing many of the same challenges. Despite these shared challenges, rarely do suppliers come together to address these challenges collectively.

Specifically, this resource was commissioned by: Epic Group, Norlanka, Shahi Exports & Simple Approach. In addition, this research was also supported by Transformers Foundation and GIZ FABRIC.

It is important to note the symbolic significance of this piece of work: this is a project initiated and led by fierce – and in some cases direct – commercial competitors. The entities commissioning this resource hope this inspires more apparel suppliers to join forces.

c. Which legislation is covered & why

The entities commissioning this work began by crowdsourcing a longlist of legislation which industry representatives feel are pertinent to the apparel and textile sector (thank to everyone who generously shared their time helping to develop this long list). The entities commissioning this work, in consultation with the Remedy Project, based on significance and impact, narrowed the longlist down to twelve pieces of legislation. The twelve pieces were selected based on the potential scale of cascading impacts and the business risk they pose to suppliers. It is therefore important to emphasize that this resource is not exhaustive.

d. Important legislative context to understand

As governments in the Global North embark on ambitious plans to transition towards climate neutrality, inclusive and sustainable growth, the body of sustainability legislation is expanding rapidly. The European Union (EU) is at the forefront of these changes, introducing a plethora

of legislative and non-legislative measures to implement priority policies such as the [European Green Deal](#). The European Green Deal is a cornerstone of the EU's industrial strategy, comprising a series of proposals to make the EU's climate, energy, transport, and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, and to secure the global competitiveness and resilience of European industry². There are also sector-specific initiatives such as the EU Strategy for Sustainable and Circular Textiles, which aim to implement the commitments made under the European Green Deal, by setting out measures to address the design and consumption of textile products, and promote a greener and fairer value chain in the textiles industry. The legislations covered in this document such as the EU Ecodesign for Sustainable Products Regulation and Digital Product Passport, EU Corporate Sustainability Due Diligence Directive, EU Regulation on Prohibiting Products Made With Forced Labour on the Union Market (**Forced Labour Regulation**), are only some of the initiatives taken by the EU to execute on the European sustainability policy objectives³.

These legislations create legally binding obligations on companies to consider how they are managing their social and environmental impact. Many of these laws and regulations have global application and/or will impact apparel manufacturing and sourcing hubs outside of the Global North. As such, while these laws originate from the Global North such as the EU, United Kingdom, and United States, they will impact companies operating outside of these jurisdictions. It is therefore a prescient time for companies directly subject to these legislations, and for those who have business relationships with them, to align their sustainability policies and practices with these laws.

At a high level, these laws (especially those relating to mandatory human rights due diligence) can be collectively understood as a legal framework that translates elements of the [United Nations Guiding Principles on Business and Human Rights \(UNGPs\)](#) into binding legal obligations. The UNGPs represent the authoritative framework on how businesses should operationalize their commitments to human rights. As businesses are increasingly required to comply with different (and sometimes overlapping) laws in this area, it is The Remedy

Project's view that businesses that are able to operate in accordance with the UNGPs and other international frameworks such as the [OECD Due Diligence Guidance for Responsible Business Conduct](#) will be more successful in making this transition. Complying with the highest international standards could help future-proof business against future legislative changes and may also be more efficient from a process perspective. Furthermore, the Remedy Project sees a trend of many brands upgrading their internal compliance and value chain requirements based on the UNGPs and international frameworks. Thus, complying with these international standards could help businesses position themselves to align with brands' expectations and easily and effectively adapt to future legislative requirements, as well as satisfy the requirement of other business partners and customers. Instead of having to operate in accordance with different standards of compliance for each jurisdiction and each counterparty, the business can adopt a less fragmented, and thus less burdensome, approach to compliance. Of course, even if suppliers align with established international frameworks, different brands will continue to set varying detailed procedural requirements on their supply chain partners, particularly in the near future. We therefore continue to recommend that suppliers proactively work with brands and retailers on implementation to reduce the risk of multiple interpretations.

e. General implications for companies supplying apparel & beyond

These legislative developments make clear that businesses will need to re-think the way they approach sustainability. This new era of legislation moves sustainability from "nice to have" to "must-have" and requires companies to implement human rights and environmental risk management practices. With this transition, we expect to see more cross-functional efforts to embed considerations of human rights and environmental impacts into business' day-to-day operations and overall strategy. In this new landscape, in-house legal teams must work closely with procurement and sourcing, operations, product teams, and in-house sustainability experts to achieve compliance. There must also be executive and management level buy-in, and attention given to sustainability issues.

f. Likely implications for suppliers

Some of the key and recurring operational implications for suppliers are likely to include:

- Increased demands from brands for visibility into upstream supply chain partners' practices and full supply chain traceability
- More stringent codes of conduct and contract clauses from brands who work to protect themselves in case of legal investigation and penalties.
- Increased reporting requirements and data requests. This will require stronger supply chains and data storage.
- Until legislative frameworks fully mature, different EU states may interpret requirements differently and brands are likely to set different requirements. However, given the common trend of adopting rules and requirements on the basis of international principles and standards, such as the UNGPs and OECD Due Diligence Guidelines, aligning internal systems and procedures with those principles and standards can be a good start towards satisfying varying requirements.
- Increased emphasis for suppliers to implement due diligence processes to identify, prevent, remediate and report on social and environmental impacts.
- Increased focus on grievance mechanisms. Here too there is a risk that different brands will interpret new requirements differently and that this could lead to varying standards within a single facility.

It is hoped that this document will provide companies – especially those engaged in the apparel value chain – a roadmap to navigate this fast-evolving regulatory landscape.

How to Use ● This Document

This document comprises a series of factsheets. For each legislation, the factsheet will cover the following topics:

1. Overview

A summary of the key aspects of the legislation.

2. Context

A description of the political context and policy objectives that the legislation seeks to address or achieve.

3. Status

Whether the legislation is in effect and if not, the current stage of the legislative procedure. If known, the expected timeline for implementation is also provided. For proposed EU legislation, users may find it helpful to refer to the [European Parliament's infographic](#) for information on the different stages of the EU legislative procedure.

4. Scope

This section sets out the types of companies or products that fall within the scope of the legislation. This may include, for example, an explanation of the thresholds that a certain company must meet for the legislation to apply. Our suggestion to suppliers is to start by identifying whether they are directly in-scope and, if so, review the obligations and compliance recommendations for companies in-scope (Sections 5 & 6). If a supplier has established that they are not directly in-scope, it is our suggestion that those suppliers review whether the brands for which they produce are in scope. If a supplier's customer is within scope, our suggestion is to review the potential implications for suppliers to companies in-scope (see Section 7).

5. Obligations for companies in-scope

A description of the duties and responsibilities that must be undertaken by the companies that are directly subject to the legislation.

6. Compliance recommendations for companies in-scope

Suggested recommendations for companies to prepare for compliance with the legislation (where the legislation is not yet in effect), or considerations for companies seeking to improve their compliance (where the legislation is already in effect). For the avoidance of doubt, these compliance recommendations do not constitute legal advice or opinion; companies should seek legal advice from attorneys concerning any specific situation or legal question they may have. Moreover, as the text of the laws in many cases remains subject to change, companies should refer to the most updated version of the legislation in developing their compliance strategy. The enforcement actions undertaken by the relevant regulator (once the law is in effect) will also determine the scope of compliance obligations.

7. Potential implications for suppliers to companies in-scope

In some instances, suppliers in the apparel value chain who are not directly subject to the concerned legislation, may still be impacted by the legislation as they supply to companies in-scope (i.e., a fashion brand or fashion retailer in-scope). These may include requirements around transparency and traceability, or obligations to undergo audits or obtain certifications. This section sets out the potential implications of the legislation for suppliers. For the avoidance of doubt, companies in-scope will approach compliance differently and many of the legislations covered in this document are in nascent stages of development. Moreover, the enforcement actions undertaken by the relevant regulator will also affect how companies in-scope respond to the legislation. As such, the guidance provided herein is only intended to represent our best estimates of the knock-on effects of the concerned legislation and is for informational purposes only.

8. Penalties for non-compliance

Where applicable or known, the penalties for companies in-scope that fail to comply with the legislation are set out.

9. Form of Enforcement

A description of the key forms of enforcement action that may be taken by the relevant authorities.

10. Reporting/disclosure for companies in-scope

An overview of the key information disclosure obligations (if any) for companies in-scope.

11. Access to remedy mechanisms and litigation risk

This section notes where the relevant legislation provides a right for legal action to be taken against a company for alleged non-compliance.

12. Opportunity to participate and engage in legislative developments

Where applicable, opportunities to participate in public consultation.

13. Useful resources to support compliance

Links to third-party resources and guidance are provided for further detail on how companies in-scope may approach compliance and how suppliers or business partners to companies in-scope may prepare for cascaded compliance requirements.

Glossary

A glossary of key terms used in this document is set out below.

Brands: For the purposes of this document, this refers to a multinational company that is engaged in the business of offering branded apparel products.

Companies in-scope: Companies that are directly subject to the obligations set out in the relevant legislation.

Due Diligence: A process that businesses should carry out to identify, prevent, mitigate, and account for how they address the actual and potential adverse human rights or environmental impacts in their operations, their value chain and other business relationships.

EU Decision: A “decision” is binding on those to whom it is addressed (e.g., an EU country or an individual company) and is directly applicable⁴.

EU Delegated Act: A delegated act is an EU legislative mechanism to ensure that EU

laws that are passed can be implemented properly or reflect developments in a particular sector.

EU Directive: A directive is a legislative act that sets out a goal that all EU countries must achieve. However, it is up to the individual countries to devise their own laws on how to reach these goals⁵.

EU Regulation: A regulation is a binding legislative act. It must be applied in its entirety across the EU⁶.

European Commission: The European Commission is the EU’s politically independent executive arm. It is responsible for drawing up proposals for new European legislation, and it implements the decisions of the European Parliament and the Council of the EU.

European Council: The European Council is the EU institution that defines the general political direction and priorities of the European Union.

European Parliament: The European Parliament is the EU’s law-making body that is directly elected by EU voters every 5 years.

Grievance Mechanism: Any routinized, State-based, or non-State-based, judicial or non-judicial process through which grievances concerning business-related human rights abuse can be raised and remedy can be sought⁷.

Supplier: For the purposes of this document, unless otherwise specified, this refers to a supplier in the apparel value chain. While the information provided herein is applicable across the entire value chain, it is primarily intended for Tier 1 suppliers and sub-contractors who produced finished goods for fashion brands and retailers, and Tier 2 suppliers and sub-contractors who provide services and goods, such as knitting, weaving, washing, dyeing, finishing, printing for finished goods, and components (e.g., buttons, zippers, soles, down and fusible) and materials for finished goods.

Value Chain: A value chain encompasses all activities related to the production of goods or the provision of services by a company, including the development of the product or the service and the use and disposal of the product as well as the related activities of upstream and downstream business relationships of the company.



UK Plastic Packaging Tax

1. Overview

The Finance Act 2021, Part 2 sets out an environmental tax system by legislating to implement the Plastic Packaging Tax (PPT). The PPT, which has been in force since April 1, 2022, is designed to encourage the use of more recycled plastic.⁸ The PPT applies to plastic packaging manufactured in, or imported into, the UK that contain less than 30% recycled plastic content.

2. Context

The PPT is seen to be more than just a tax. The purpose of the PPT is to provide a financial incentive for businesses to use recycled plastic packaging and find sustainable solutions. With greater demand for recycled plastic, this will increase the amount of recycling and collection of plastic waste, diverting it away from landfill or incineration. By promoting the use of recycled plastic, the PPT will help reduce carbon emissions and support the UK's goal of reaching net-zero emissions by 2050, an important step in overall climate change reduction.

3. Status

The PPT was passed on November 4, 2021 and entered into force on April 1, 2022. The tax is charged at a rate of:

£200 per tonne from April 1, 2022

£210.82 per tonne from April 1, 2023

4. Scope

The PPT applies to manufacturers who undertake the last substantial modification⁹ of plastic packaging and importers of finished plastic packaging components (whether or not, filled with goods) that contain less than 30% recycled plastic content into the UK. A component must meet the definition of 'packaging' to be liable for the PPT. Packaging is defined as "a product that is designed to be suitable for use, whether alone or in combination with other products, in the containment, protection, handling, delivery or presentation of goods at any stage in the supply chain of the goods, from the producer of the goods to the consumer or user." For example, where an apparel company imports t-shirts packaged in poly bags into the UK, and the poly bags contain less than 30% recycled plastic content, the apparel company may be subject to the PPT.

Manufacturers and importers may be exempt from the PPT if they fall within the following categories:

● Exempted Packaging Categories

Four packaging components are exempted from the PPT. They are products:

- used for the immediate packaging of human medicinal products
- permanently recorded as set aside for non-packaging use
- used as transport packaging for imported goods
- used in aircraft, ship, and rail goods stores.

Only the plastic packaging used for human medicinal products and plastic packaging permanently recorded as set aside for non-packaging use must be included when calculating the total weight of plastic packaging manufactured or imported.

● Excluded Product Categories

Three types of products relate to packaging which do not typically contribute to plastic pollution, and which do not need to be included when calculating the total weight of plastic packaging manufactured or imported. They are products which are designed to be:

- used for the long-term storage of goods
- an integral part of the goods
- reused for the presentation of goods.

There is a deferral of liability to the PPT for plastic packaging which is exported outside the UK within 12 months. Where tax has been paid and the related plastic packaging components are subsequently exported, credit or repayment will be issued for the tax paid.

The responsibility for paying PPT falls predominantly with importers of filled or unfilled plastic packaging into the UK and UK manufacturers of plastic packaging.

Registration Requirements

Companies that manufactured in the UK or imported 10 or more tonnes of plastic packaging into the UK in the last 12 months, must register with the HM Revenue & Customs (HMRC) for PPT, even where the plastic packaging is not taxable. Likewise, companies that expected to import into the UK or manufacture in the UK 10 tonnes or more of finished plastic packaging components in the following 30 days, should also register.

5. Obligations for companies within scope



Companies falling within these thresholds must register, even if the plastic packaging meets the recycled content criteria or is one of the exempt examples of packaging. In other words, you may still need to register, even if you are not liable for payment of PPT.

A manufacturer or importer must register within 30 days of meeting the 10-tonnes threshold. Where the taxpayer is a part of a group of companies, the 10-tonnes threshold test applies to individual company, and not the group on a combined basis. There are anti-avoidance provisions to prevent companies from attempting to separate business activities to avoid the PPT by keeping each entity under the threshold.

De Minimis Exception

Companies that place less than 10 tonnes of plastic packaging onto the UK market in the past 12 months do not need to register for and pay PPT. For example, an apparel company that imports products into the UK that are packaged with polybags will not need to register with the HMRC for PPT if they use less than 10 tonnes of plastic packaging.

Submission of quarterly returns

A company in-scope is required to submit quarterly returns to HMRC detailing weights of plastic packaging components which are in the scope of the tax, those containing 30% or more recycled content, and those which are exempt, manufactured quantities, imported quantities and exports amongst other things. All the information submitted must be supported by sufficient evidence.

Determination of amount of PPT payable

The PPT applies to plastic packaging on a per component basis. Plastic packaging made from different components of materials are classed as plastic packaging if they are predominantly plastic by weight. The taxable base will be calculated based on the weight of the whole packaging, if plastic is the dominant component by weight. If a packaging is made up of several plastic packaging components, each component must be taken into account for PPT. Further details on the calculation of PPT are set out in the Plastic Packaging Tax (General) Regulations 2022.

6. Compliance recommendations for companies in-scope

As explained in Section 5 above, the responsibility for paying PPT falls predominantly with importers of filled or unfilled plastic packaging into the UK and UK manufacturers of plastic packaging. As a first step, companies should check whether the packaging they manufacture, or import is subject to the PPT. If they are within scope, the manufacturer or importer should work out the weight of the packaging and register with HMRC. These companies in-scope will be required to file quarterly tax returns and make payment of taxes.

Companies in-scope are required to keep accounts, records and supporting evidence for six years (including any measurement of weight) for all the information submitted on the PPT return. Please refer to the HMRC's website for further information on the record-keeping requirements: <https://www.gov.uk/guidance/record-keeping-and-accounts-for-plastic-packaging-tax>

7. Potential implications for suppliers

At a broader level, the PPT is likely to encourage companies that use and purchase plastic packaging to explore incorporating more recycled content into packaging, or alternative packaging materials – as the PPT makes use of plastic packaging more costly.¹⁰ Suppliers should also note that the recycled plastics supply chain carries its own human rights risks, and therefore it would be advisable to conduct human rights due diligence when sourcing recycled plastics.

8. Penalties for non-compliance

Where a company in-scope fails to register, file returns, or pay the tax, there is a £500 fixed penalty, and a daily penalty of £40 for each day, after the first, on which the concerned company continues to default. Interest on late payments may also apply. There can be criminal penalties in cases of fraudulent evasion of PPT and for misstatements and false documents and conduct involving such offences.¹¹

9. Form of enforcement

HMRC shall carry out compliance checks based on the filed returns, although the triggers that would prompt a compliance check are not specified in the case of PPT.

10. Reporting/disclosure requirements for companies in-scope

Please refer to Section 5 for discussion on registration requirements and submission of quarterly returns.



11. Access to remedy mechanisms and litigation risk

As explained in Section 8 above, companies that fraudulently evade payment of PPT, make misstatements or provide false documents in relation to their returns, may be subject to criminal action.

In addition, although it is the manufacturer or importer of packaging components that is primarily liable for the PPT, downstream companies in the supply chain may also be held secondarily liable for unpaid tax, if they should have known, or ought to have known, that PPT has not been paid. For example, if you purchase plastic packaging components in the UK from a UK packaging manufacturer, or if you distribute imported goods in the UK that have been packaged in plastic, you could be held secondarily liable. In such cases, these downstream customers should conduct due diligence to ensure that PPT has been paid by the importer or manufacturer (where

required). It is recommended that such companies keep records of due diligence checks undertaken and retain any evidence that demonstrates that they are not liable for payment of PPT.

12. Opportunity to participate and engage in legislative developments

Not applicable.

13. Useful resources to support compliance

UK HMRC, [Records and accounts you must keep for Plastic Packaging Tax Guidance](#)

UK HMRC, [Check which packaging is subject to Plastic Packaging Tax](#)

[UK Legislation, Finance Act 2021, Part 2](#)

[UK Legislation, Plastic Packaging Tax \(General\) Regulations 2022](#)

References

- 1 For the purposes of this document, “Global North” encompasses the European Union, United Kingdom, and the United States.
- 2 European Commission, [A European Green Deal](#)
- 3 See for example the summaries of EU legislation on environment and climate change.
- 4 European Union, Types of legislation
- 5 European Union, Types of legislation
- 6 European Union, Types of legislation
- 7 UNGPs Principle 25 and commentary
- 8 To qualify as recycled plastic, it must be plastic waste recovered from either (i) pre-consumer plastic that is recovered from waste generated in a manufacturing process and processed by a reprocessing facility or (ii) post-consumer plastic that is generated by households or commercial, industrial, or institutional facilities in their role as end user of the product that can no longer be used for its intended purpose.
- 9 A substantial modification is any process that changes the shape, thickness, weight, or structure of a packaging component.
- 10 Companies should also be mindful that the supply chain of recycled materials carry their own set of human rights risks.
- 11 Please refer to Sections 77 to 81 of the [Finance Act 2021](#).

Discover Other Factsheets from An Apparel Supplier's Guide

1

**EU Corporate
Sustainability
Reporting
Directive**

2

**EU Corporate
Sustainability
Due Diligence
Directive**

3

**New York
Fashion Act**

4

**EU Forced Labour
Regulation
and Guide**

5

**US Uyghur
Forced Labor
Prevention Act**

6

**EU Ecodesign for
Sustainable
Products
Regulation**

7

**EU Packaging
and Packaging
Waste Directive
and Proposal**

8

**EU Microplastics
Regulation**

9

**UK Plastic
Packaging Tax**

10

**EU Product
Environment
Footprint Guide**

11

**EU Textile
Regulation**

12

EU Taxonomy