



CONSULTATION ON REFORM OF LANDFILL TAX

Issued 21 July 2025

ICAEW welcomes the opportunity to comment on the Consultation on reform of Landfill Tax published by HM Treasury on 28 April 2025, a copy of which is available from this [link](#).

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 172,000 chartered accountant members in over 150 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

This response of 21 July 2025 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, ICAEW's Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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KEY POINTS

1. ICAEW supports the overarching policy aim of simplifying the landfill tax regime to strengthen environmental outcomes, reduce opportunities for misdescription and waste crime, and align the tax system with circular economy objectives.
2. We agree in principle with the move to a single rate of Landfill Tax by 2030, recognising that the current two-rate system weakens incentives to reduce landfill use and creates compliance risks. However, we have concerns about the scale of the increase for lower-rated materials and its potential economic impacts on sectors such as construction and infrastructure. We recommend that government undertakes a comprehensive impact assessment before setting the escalator, with clear milestones, to ensure a proportionate and manageable transition.
3. We support the removal of the qualifying fines regime, which is complex and prone to abuse, but emphasise the need for a robust assessment of the timing and transitional impacts, particularly if removal is implemented before rates are equalised. A minimum of 18 months' notice is preferable to allow businesses to adjust effectively.
4. We endorse the principle of a higher tax rate for unauthorised waste sites, provided enforcement agencies are properly resourced to ensure the measure is effective.
5. Regarding the proposals to remove exemptions for quarry backfilling, dredging, and water discounting, we support the principle of eliminating exemptions or reliefs that distort behaviour or undermine environmental objectives. However, as these changes are closely tied to sector-specific operational practices, we do not have the expertise to comment on the detailed impacts and defer to industry stakeholders for further evidence and insights.
6. We also encourage government to ensure that reforms to landfill tax in England and Northern Ireland are co-ordinated with the devolved administrations in Scotland and Wales. While some policy variation through devolved taxes is to be expected, significant divergence in rates, exemptions, or implementation timelines could have unintended consequences, including:
 - a. Distorting waste disposal decisions, by encouraging businesses to divert waste to jurisdictions where tax rates are lower (or exemptions are still in place), regardless of proximity. For example, a lower rate in Scotland or Wales could make it economically attractive to transport waste across borders for disposal.
 - b. Increasing environmental harm, as transportation of waste "cross-border" to lower-rate jurisdictions adds to carbon emissions, road congestion, and associated air pollution.
 - c. Creating compliance complexity for businesses that operate across multiple UK nations, particularly in waste management.
 - d. Undermining the policy intent of the tax, which is to reduce landfill use across the UK – disparities could inadvertently encourage landfill in regions with lower rates, rather than supporting re-use, recycling, and repurposing.
7. Finally, we encourage government to complement tax reform with investment in recycling infrastructure, market development for secondary materials, and a fully operational [digital waste tracking service](#), to ensure that the tax changes deliver the desired environmental and compliance outcomes.

ANSWERS TO SPECIFIC QUESTIONS

Question 1: In what capacity are you responding to this consultation?

8. Other (professional body)

Question 2: If you wish to, please enter details of the business or body you represent.

9. ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 172,000 chartered accountant members in over 150 countries.

Question 3: Would you like your response to be confidential?

10. No.

Question 4: What impact do you think a single rate of Landfill Tax would have on environmental outcomes, including ensuring more materials are reused, recycled and repurposed?

11. A single rate of landfill tax would strengthen environmental outcomes by creating a broader and more consistent economic incentive to divert all materials from landfill, including those currently subject to the lower rate.
12. The current two-rate structure weakens the price signal for inert materials, such as soils, stones, and construction waste, making it cheaper and often easier to send these to landfill rather than invest in re-use, recycling, or repurposing. Moving to a single rate would address this distortion by increasing the cost of landfill disposal across the board, thereby encouraging businesses to explore more sustainable waste management options where alternatives exist.
13. This is supported by HMRC's [Evaluation of the Landfill Tax on Environmental Outcomes](#), which found that increases in the standard rate have been highly effective in reducing municipal waste to landfill. However, the study also found that increases in the lower rate have had little to no impact on reducing landfill volumes for construction, demolition, and industrial waste – in some models, landfill use even rose as the lower rate increased. This strengthens the case for eliminating the lower rate, while also highlighting the importance of ensuring that alternatives to landfill are accessible and viable.
14. While the strength of the incentive will inevitably vary by material type and region, a single rate would send a clearer and more consistent signal that landfill is the least desirable option, both environmentally and economically. This should help to:
 - a. Encourage greater recovery and recycling of materials that are currently cheaper to landfill.
 - b. Stimulate investment in recycling and reprocessing infrastructure.
 - c. Drive innovation in secondary materials markets.
15. Removing the lower rate would also reduce the scope for misdescription of waste, which we understand has been a persistent challenge under the dual-rate system.

Question 5: Alongside these proposals, what steps could government take to improve the circularity of materials which are currently subject to the lower rate of Landfill Tax?

16. To improve the circularity of materials currently subject to the lower rate of landfill tax, government should accompany tax reform with a package of targeted support and infrastructure development, including:
17. Investment in recycling and recovery infrastructure, particularly for inert waste streams like soils, rubble, and most construction materials.
 - a. Development of secondary materials markets, including support for innovation in processing technologies that make inert materials reusable or recyclable.
 - b. Clear regulatory standards and guidance for the safe and practical re-use of recovered materials, particularly in construction and civil engineering.
 - c. Fiscal or financial incentives, such as grants or tax reliefs, to support businesses transitioning away from landfill dependency.
 - d. Support for regional development to ensure that recycling and reprocessing facilities are not concentrated in certain parts of the country, preventing regional disparities in landfill alternatives.
18. Additionally, government should ensure the effective rollout of the [digital waste tracking service](#), so that waste movements are transparent, reducing the risk of waste crime and supporting legitimate recycling efforts.
19. The need for these measures is underscored by HMRC's [Evaluation of the Landfill Tax on Environmental Outcomes](#) which found that the tax's effectiveness is greatest in areas with strong recycling infrastructure. Without comparable improvements across all regions and waste types, there is a risk that the environmental benefits of a higher tax rate will not be fully realised.

Questions 6–8: ICAEW is not involved in waste production, disposal, or processing, and is therefore not best placed to comment on the operational impacts, technological barriers, or material-specific constraints. We would defer to industry stakeholders and waste management experts to provide detailed evidence in response to these questions.

Question 9: What impact do you think a single rate of Landfill Tax would have on misdescription and wider waste crime (including illegal dumping)?

20. A single rate of landfill tax should help to significantly reduce the incentive to misdescribe waste, which is a key driver of tax avoidance and waste crime under the current two-rate system. Removing the rate differential simplifies compliance, reduces opportunities for fraud, and supports a more level playing field for legitimate businesses.
21. However, there is a risk that waste crime may shift to other forms, particularly illegal dumping or disposal at unauthorised sites. The substantial increase in cost for materials currently subject to the lower rate could make such practices more attractive to unscrupulous operators.

Question 10: If you answered question 9, what steps could government take to respond to/manage these impacts?

22. To manage these risks, government should ensure that the tax reform is accompanied by strengthened enforcement and monitoring capacity. In particular, the successful rollout of the digital waste tracking service will be critical to improving transparency over waste movements and reducing opportunities for illegal activity.

23. Additionally, regulators and bodies such as the Environment Agency and HMRC should be adequately resourced to detect, investigate, and prosecute waste crime, ensuring that illegal dumping or disposal at unauthorised sites is both difficult and costly for perpetrators.
24. Parallel investment in recycling and recovery infrastructure would also help reduce the commercial drivers of waste crime by providing more viable alternatives to landfill.
25. Government should also support education and awareness campaigns to help businesses and waste carriers understand their legal responsibilities and the risks of non-compliance.

Question 11: Do you agree with the proposed timeframe to transition to a single rate by 2030?

26. While we agree that a transition to a single rate of landfill tax by 2030 is a reasonable objective in principle, we have concerns about the scale of the increase that this entails for materials currently subject to the lower rate. A greater than 30-fold increase to the lower rate is substantial and could have profound economic impacts on sectors such as construction and infrastructure, where margins are already tight and alternative waste treatment options are not yet universally available.
27. We therefore believe that government should undertake a comprehensive impact assessment before setting the escalator, to ensure that the transition pathway is proportionate, realistic, and aligned with the capacity of the market to adapt. Without this, there is a risk of adverse consequences, including cost inflation in critical sectors, waste crime displacement, and regional inequalities in access to recycling infrastructure.
28. Additionally, the transition plan should incorporate interim milestones and review points, enabling government to monitor impacts in real time and make adjustments if unintended effects emerge before 2030.

Question 12: What more could government do to support your organisation to prepare for the change?

29. While ICAEW is not directly affected by the proposed changes, government can support our members – particularly those advising affected businesses – by providing clear impact assessments, detailed guidance, and a transparent timetable for rate increases. This would help businesses, and their advisers, prepare effectively for the change.

Question 13: Do you agree that removing the qualifying fines regime would: (i) improve environmental outcomes and, (ii) reduce misdescription during the period of transition to a single rate?

30. Yes, we agree that removing the qualifying fines regime would improve environmental outcomes and reduce misdescription during the transition to a single rate. The current regime is complex, difficult to enforce, and has been exploited for tax avoidance.

Question 14: Do you agree that all fines should be subject to the standard rate?

31. In principle, we agree that all fines should be subject to the standard rate, especially given the planned move to a single rate of landfill tax. Applying the standard rate simplifies the tax and removes ambiguity.
32. That said, the timing of this change is important. If the qualifying fines regime is removed before the lower rate is equalised, businesses could face a sudden and disproportionate cost increase. Government should therefore assess whether removal from 2027 strikes the right balance, or whether a phased approach aligned with the rate escalator would better support transition.

Question 15: Are there any wider potential impacts associated with removing the qualifying fines regime?

33. The wider potential impact of removing the qualifying fines regime is that it would create a sudden increase in disposal costs for businesses that legitimately process fines, particularly in the construction and demolition sectors. Without the lower rate – even as it escalates – these businesses may face operational and financial pressures that could impact their competitiveness or lead to increased waste crime risks if viable alternatives are not available.
34. While we support the simplification that removal offers, we believe the timing needs careful consideration. There is a case for retaining the regime until the lower rate converges with the standard rate in 2030, to allow for a more gradual adjustment. Alternatively, if government proceeds with the 2027 removal, this should be based on a robust impact assessment and be accompanied by clear guidance and support to help businesses adapt.

Question 16: Do you agree with the proposal to give businesses one year's notice, before implementing this change from 2027.

35. We agree that businesses should be given formal notice before the qualifying fines regime is removed, but we would question whether one year is sufficient, given the potential operational and financial impacts on affected sectors.
36. Businesses will need to review waste management processes, adapt contractual arrangements, and adjust pricing or operational models, particularly in construction and demolition supply chains. These changes can take time to implement effectively.
37. We would typically recommend a minimum of 18 months' notice for tax changes that impact business planning, to allow for proper adjustment and risk management. If government proceeds with a 12-month period, this should be accompanied by clear guidance, impact assessments, and transition support to ensure that businesses are adequately prepared.

Question 17: Do you agree with the proposal to increase the rate of Landfill Tax applied to unauthorised waste sites and simplify the penalties and interest which applies?

38. We support the principle of applying a higher tax rate to unauthorised waste sites, combined with simplified penalties and interest. A stronger financial deterrent is appropriate to address non-compliance and waste crime, provided it is proportionate, clearly defined, and enforceable.
39. However, the effectiveness of this measure will depend on the capacity of HMRC and environmental regulators to detect, investigate, and prosecute illegal waste activity. We therefore recommend that the government ensures enforcement agencies are adequately resourced.

Question 18: Do you have any alternative proposals or other views relating to the basic framework and structure of the tax?

40. No, we have no alternative proposals or other views relating to the basic framework and structure of the tax.

Questions 19–30:

41. We support the principle of removing exemptions and reliefs where they create complexity, distort market behaviour, or undermine environmental objectives. In general, we favour a simpler, more consistent tax system that incentivises waste reduction, re-use, and recycling.
42. While our comments focus on the tax policy and design implications, we recognise that the operational and sector-specific impacts of these proposals may be more appropriately addressed by those with experience of these specific exemptions and reliefs.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see <https://goo.gl/x6UjJ5>).