ICAEW
REPRESENTATION 100/26

PLASTIC PACKAGING TAX - CHEMICAL RECYCLING AND ADOPTION OF A MASS BALANCE APPROACH

Issued 24 November 2026

ICAEW welcomes the opportunity to comment on the draft legislation for the introduction of chemical recycling and the adoption of a mass balance approach to plastic packaging tax, published by HMRC on 6 October 2026, a copy of which is available from this link.

ICAEW has identified a number of areas where the draft regulations should be clarified before they are finalised. In particular, the legislation should remove ambiguity over the weight of attributed recycled plastic used in the 30% recycled-content test and ensure that core conditions determining whether the mass balance treatment is available are set out in legislation rather than administrative notices.

HMRC should also clarify the consequences where businesses have reasonably relied on certification and evidence elsewhere in the supply chain but a subsequent failure calls the validity of an attribution into question, including the protection available to businesses outside regulation 13. Given the intended implementation date of 1 April 2027, HMRC should also provide greater clarity on the implementation timetable and consider whether transitional provisions are required.

This response of 24 November 2026 has been prepared by ICAEW's 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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COMMENTS ON DRAFT LEGISLATION

Calculation of the 30% recycled plastic threshold

1. The regulations should make clear how attributed recycled plastic is counted when determining whether a plastic packaging component contains at least 30% recycled plastic.
2. Regulation 16(3)(b)(ii) of the draft regulations amends the definition of A in regulation 7(3) of the Plastic Packaging Tax (General) Regulations 2022 to refer to the "total weight of recycled plastic and attributed recycled plastic". Regulation 16(3)(c) and (d) make equivalent changes to regulation 7(6)(a) and 7(7)(a)(ii).
3. Section 49(2A) of the Finance Act 2021 defines attributed recycled plastic as plastic to which recovered material has been attributed in accordance with a chemical recycling certification scheme.
4. Read together, these provisions could be taken to mean that, once any recovered material is attributed to a quantity of plastic, the whole weight of that plastic counts as attributed recycled plastic. We understand that this is not the intended result. Only the weight of recovered material attributed to the plastic should count towards its recycled content.
5. For example, if 20kg of recovered material is attributed to 100kg of plastic, the 30% test should use 20kg as the attributed recycled content and 100kg as the total weight. The current wording could instead be read as treating the full 100kg as attributed recycled plastic.
6. We recommend that regulations 7(3), (6) and (7) are amended to make clear that the relevant weight is the weight of recovered material attributed to the plastic, not the weight of the plastic to which it is attributed.
7. A similar issue arises in regulation 3(2)(a). Qualifying input material includes material to which recovered material has been attributed under an earlier mass balance process (s49A(4)(b) of the Finance Act 2021). If the whole weight of such material counts as qualifying input material, the amount of recovered material available for attribution could be overstated as material passes through successive mass balance processes.
8. For example, 100kg of output to which 20kg of recovered material have been attributed could be treated as 100kg of qualifying input in the next process. We recommend that the regulations make clear that, for material within section 49A(4)(b), the relevant weight is the weight of recovered material attributed to it.

Requirements specified in notices

9. A significant amount of the detail necessary to operate the new regime is to be specified in notices issued by the Commissioners. This includes the minimum standards applying to certified persons (regulation 9), requirements relating to auditing and monitoring (regulations 10 and 11), and requirements relating to transfers, accreditation and attribution declarations. Regulation 4(6) is particularly broad, allowing a notice to specify "any further requirements" in relation to transfers.

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10. We recognise that detailed technical and administrative requirements may appropriately be contained in notices, particularly where they may need to respond to developments in industry or international standards. However, core conditions determining whether the mass balance treatment is available should be set out in the regulations themselves.
11. Some important conditions are currently left outside the regulations. For example, regulation 9(3)(d) leaves to a notice the question of who must be certified. The regulations also do not prohibit a negative balance during a balancing period, despite the government having confirmed in its October 2024 consultation response that a negative balance should not be allowed at any point during that period. This requirement currently appears in HMRC's published minimum requirements.
12. Leaving such conditions to administrative notices creates uncertainty and limits Parliamentary scrutiny, particularly where the notices have not been published alongside the draft regulations. This sits uneasily with the “Statutory” principle in ICAEW’s Ten Tenets for a Better Tax System, under which tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
13. We recommend that core conditions, including who must be certified and the prohibition on a negative balance, are set out in the regulations. Detailed technical and administrative requirements may appropriately be specified in notices. HMRC should publish the relevant notices in draft before the regulations are finalised and consult before making material subsequent changes.

Reasonable reliance and failures within the certification chain

14. The proposed regime places significant reliance on certification schemes and information passed through the supply chain. HMRC’s published guidance states that it does not regulate certification schemes and that businesses are responsible for ensuring that the scheme they use meets the minimum requirements.
15. Regulation 13(2) provides protection where a supplier’s certificate is subsequently suspended or withdrawn, but it is unclear what effect such a suspension or withdrawal would otherwise have on attributions already made. More generally, businesses need clarity on the consequences where a certification scheme is subsequently found not to meet the statutory requirements, or not to have been operated in accordance with them.
16. There also appears to be a gap for businesses further down the supply chain. Regulation 13(2) applies only to certified persons determining whether material received is qualifying input material for a mass balance process. It does not provide equivalent protection where a UK manufacturer or importer relies on evidence from its supplier to determine whether plastic in a finished packaging component is attributed recycled plastic for the 30% test.
17. We recommend that HMRC clarifies:
    a. the effect on previous attributions where a certification scheme is subsequently found not to have met the statutory requirements, or not to have been operated in accordance with them;
    b. the effect of the suspension or withdrawal of a certificate on attributions made before that suspension or withdrawal;
    c. the steps HMRC expects businesses to take to establish that a certification scheme satisfies the statutory requirements;
    d. whether HMRC will provide any confirmation or other assurance where there is uncertainty over whether a particular scheme meets those requirements; and
    e. the protection available to importers and other businesses that reasonably rely on evidence provided by suppliers but fall outside the protection in regulation 13.
18. More generally, we recommend that HMRC introduces appropriate protection where a business has taken reasonable care but could not reasonably have identified a failure elsewhere in the certification chain. If HMRC considers that the existing legislation already provides sufficient protection, it should explain how that protection applies.

Implementation from 1 April 2027

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19. HMRC intends the mass balance approach to be available for PPT purposes from 1 April 2027. The technical consultation closes on 21 December 2026, leaving a relatively short period to finalise the requirements and put the necessary certification arrangements in place.
20. Certification is a particular dependency because, under the definition of "balancing period" in regulation 3(5)(a), a person's first balancing period begins on the day on which its certificate is granted. Businesses will also need sufficient time to understand and implement the final regulations, notices and other requirements.
21. We recommend that HMRC sets out its expected implementation timetable and confirms when the final regulations, notices and other requirements will be available. HMRC should also consider whether transitional provisions are required, including clarification of the treatment of relevant material held at commencement and the position of businesses that have taken reasonable steps to obtain the necessary certification but are unable to complete the process before 1 April 2027 for reasons outside their control.

Drafting and technical points

22. In addition to the substantive issues above, we have identified the following points in the drafting of the regulations that we recommend HMRC reviews before the regulations are finalised.
23. **Section 49A cross-reference**. Footnote (c) on page 2 of the draft legislation states that "qualifying input material" is defined in s49A(3) of Finance Act 2021. It is not; it is defined in s49A(4).
24. **Regulation 5(1).** The reference to "section 49A(3)b) of the Act" is missing an opening parenthesis. It should refer to "section 49A(3)(b) of the Act".
25. **Regulation 5(3)(b).** This provision requires evidence that "the attribution accords with that methodology". It is unclear whether this is intended to refer to the attribution itself or to the dual-use factor determined under regulation 5(3)(a). We recommend that the drafting is clarified.
26. **Regulation 15(1)(c).** The reference to "certificates issued by any certification body" appears potentially wider than intended. We recommend that HMRC confirms whether this should be limited to certificates issued under the relevant certification scheme and amends the provision if necessary.
27. **Regulation 15(3).** This provision refers to the issue of a certificate under provisions complying with regulation 10. However, regulation 10 concerns audits, while the requirements relating to the issue of certificates are in regulation 9.
28. **Regulation 8: accreditation.** Regulation 8(2)(a) refers to Global Accreditation Cooperation Incorporated, while footnote (b) on page 4 of the draft legislation refers to "Global Accreditation Cooperation Limited". We understand that Global Accreditation Cooperation Incorporated is the organisation's current name. We recommend that HMRC checks and aligns the references.

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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. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.

For more information, please see Ten Tenets for a Better Tax System | ICAEW

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