



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Liz Twist MP
House of Commons
London
SW1A 0AA

10 January 2022

Dear Liz,

Thank you for your questions raised during the Finance Bill Public Bill Committee debate on 5 January 2022 about Landfill Tax and Plastic Packaging Tax. I am writing to explain further about the calculation of the tax gap, the action that the government is taking to address waste-related crime, and the government's approach to using secondary legislation for Plastic Packaging Tax.

HM Revenue and Customs (HMRC) publishes an estimate of the tax gap each year accompanied by a methodological annex which explains how the estimates are calculated. The relevant documents can be found here:

<https://www.gov.uk/government/statistics/measuring-tax-gaps>.

As noted in the Committee, there has been a reduction in the Landfill Tax gap in recent years. The Landfill Tax gap for England and Northern Ireland was estimated at around £200 million—22.7%—in 2019-20, which is a decrease compared with the tax gap in 2018-19, when it was around £275 million, or 29%. Over the same period compliance yield increased from £18 million to £42 million.

Details of how compliance activity is measured for the purposes of calculating the tax gap can be found here:

<https://www.gov.uk/government/publications/tax-gap-and-compliance-yield-technical-note/the-tax-gap-and-compliance-yield-what-they-are-and-how-they-relate>

The government recognises that waste crime can blight local communities, reduce Landfill Tax revenue and make it difficult for legitimate operators to compete. From April 2018, the government extended Landfill Tax to disposals of materials at unauthorised waste sites and provided additional HMRC funding. HMRC supports the Defra-led response to waste crime through membership of the Joint Unit for Waste Crime (JUWC) which was launched in January 2020. This multi-agency taskforce brings together environmental regulators and law enforcement agencies to tackle serious and organised waste crime.

The Environment Act 2021 includes a package of new measures to crack down on illegal waste activities, including powers to introduce an electronic waste tracking system and to stop the export of waste. The measures will also make sure regulators and local authorities can work more effectively to combat waste crime, with better access to evidence, improved powers of entry, and the ability to keep fixed penalty notices at an appropriate level.

For Plastic Packaging Tax (PPT), as I set out in the Committee, powers to make secondary legislation are being used to allow the government to adapt the tax quickly where relevant changes to other legislation may require consequential changes to PPT. Taking powers to amend the operation of a tax is not uncommon with new taxes as it ensures the tax can be flexibly managed. The fact that these changes would be made through secondary legislation is consistent with the existing structure and design of the tax in Finance Act 2021.

Some of these amendments are simply correcting omissions from or clarifications of existing primary legislation. Most of these changes are administrative in nature and it is usual for administrative matters to be dealt with in regulations. To assure you, those regulations that affect charging provisions of the tax or modify the effect of primary legislation will be subject to the made-affirmative procedure, which rightly enables Parliament a higher degree of scrutiny.

I am copying this letter to the Chairs and other members of the Public Bill Committee and depositing a copy of this letter in the Library of the House.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Helen Whately', with a large, sweeping flourish underneath the name.

Helen Whately
Exchequer Secretary to the Treasury