

Indirect Tax Directorate

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www.hmrc.gov.uk

Our ref

Your ref

LANDFILL TAX BRIEFING - MARCH 2016

This briefing provides updates on:

- Landfill tax:
 - Rates
 - Landfill tax reform: consultation
 - Additional funding for compliance
 - Loss on Ignition (LOI) testing regime
 - End of transitional period
 - Notifying LOI failures
 - Devolution of Landfill Tax to Wales from April 2018
- The Landfill Communities Fund (LCF):
 - Maximum percentage credit for 2016-17
 - LCF reform
 - Environmental body levy
- Future Communications

1. Landfill tax

1.1 Rates

The government announced in the Budget that legislation will be introduced in Finance Bill 2016 to increase the rates of landfill tax in line with inflation (based on Retail Prices Index (RPI)), rounded to the nearest 5 pence, for disposals of waste made, or treated as made, to landfill on or after 1 April 2017 and again on or after 1 April 2018. Details of the two rates of tax can be found below.

Summer Budget 2010 announced a floor under the standard rate of landfill tax so that the rate will not fall below £80 per tonne from April 2014 to at least April 2020. Budget 2014 clarified that this floor should be interpreted in real terms and announced that the lower rate (which applies to less polluting wastes listed in the Landfill Tax (Qualifying Material) Order 2011 and to qualifying fines) would, in future, also increase each year in line with inflation. It also announced the intention to provide further long-term certainty.

In line with these announcements, Budgets 2014 and 2015 announced that, on 1 April 2015 and 1 April 2016, the standard and lower rates would increase in line with RPI, rounded to the nearest 5 pence.

The current and future announced rates are as follows:

Waste sent to landfill	Rate from 1 April 2015 (current rate)	Rate from 1 April 2016	Rate from 1 April 2017	Rate from 1 April 2018
Standard rated (per tonne)	£82.60	£84.40	£86.10	£88.95
Lower rated (per tonne)	£2.60	£2.65	£2.70	£2.80

1.2 Landfill tax reform - consultation

The government announced in the Budget a consultation over summer 2016 on amending the definition of a taxable disposal of waste at a landfill site and clarifying the scope of the tax. Stakeholders will have the opportunity to express their views as part of the consultation. Full proposals will be set out in a consultation document later in 2016. The government intends to legislate for any changes in Finance Bill 2017 (and secondary legislation if necessary).

1.3 Additional funding for compliance

Tackling tax evasion is a high priority for HMRC and we recognise the damaging effect waste crime can have on legitimate businesses. Autumn Statement 2015 announced £20 million of the additional landfill tax revenues from reducing the value of the LCF in 2016-17 will be allocated to the Environment Agency to address waste crime over the next 5 years. At Budget the government announced additional investment to help HMRC to tackle tax evasion in the waste sector more effectively.

If you have any information regarding tax evasion or non-compliance, please contact the HMRC evasion hotline below to report your concerns by telephoning 0800 788 887 or electronically via:

<https://www.gov.uk/report-an-unregistered-trader-or-business>

1.4 Loss on Ignition (LOI)

1.4.1 Transitional Period

The loss on ignition testing regime was introduced on 1 April 2015 to help operators to determine the landfill tax liability of 'waste fines'. Fines are the residual waste produced following treatment at a waste transfer station, before the waste is sent to a landfill site.

Since introduction of the LOI regime there has been a transitional period of 12 months where the threshold has been set at 15% to allow businesses time to adjust their processes in order to meet the 10% threshold. **The transitional period will come to an end on 31 March 2016.** If you have not already done so, you may wish to make your customers aware of the change as it could affect their costs of disposal by way of landfill.

1.4.2 Notifying LOI failures

When a load fails the LOI test, landfill site operators are required to notify HMRC in accordance with paragraph 6.8.2 of the Qualifying Fines guidance. The reporting requirements were amended from 16 December 2015 to include the **tonnage** of the load that failed the test.

The revised *Reporting Loss on Ignition test result* form can be accessed via the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/485507/Reporting_Loss_on_Ignition_test_result_above_the_threshold.pdf

A link to the Qualifying Fines guidance can be accessed here:

<https://www.gov.uk/government/publications/excise-notice-lft1-a-general-guide-to-landfill-tax/excise-notice-lft1-a-general-guide-to-landfill-tax>

1.5 Devolution of Landfill Tax to Wales from April 2018

The Wales Act 2014 provides for landfill tax to be devolved to Wales. This is expected to take effect in April 2018. We will provide confirmation and further information on developments at a later date.

2. The Landfill Communities Fund (LCF)

2.1 Maximum percentage credit for 2016-17

The value of the LCF for 2016-17 was announced at Autumn Statement 2015 and set at £39.3 million. The maximum credit that landfill site operators may claim against their annual landfill tax liability for LCF contributions made to environmental bodies (EBs) will be 4.2% from 1 April 2016.

2.2 LCF reform

Autumn Statement announced a number of changes to the LCF in England, Wales and Northern Ireland to take effect from 1 April 2016. Draft legislation required to implement the changes was published on 9 December and includes a simplification of record-keeping requirements and changes to the scheme's objectives from 1 April 2016.

Following the announcement, a number of operators and EBs voiced concerns about the proposed removal of provisions for third parties to contribute 10% of landfill operators' contributions to projects. The government has listened to these concerns and decided against proceeding with the removal. The draft legislation (amendments to the Landfill Tax Regulations 1996) has been amended to reflect this decision. The revised statutory instrument, which includes the value of the fund for 2016-17, was laid on Budget Day and published on www.gov.uk. A link to the legislation can be accessed here: <http://www.legislation.gov.uk/ukxi/2016/376/made>

Landfill operators can claim tax credit for 90% of their contributions to the LCF. Some landfill operators already pay the 10% shortfall. Although there will no legislative requirement, landfill operators will be expected to help local communities by increasing their contributions and absorbing some or all of the 10% shortfall. Landfill operators' contributions will be monitored by ENTRUST and details may be published on an annual basis. ENTRUST published amended guidance to reflect these changes on Budget Day.

2.3 Environmental body levy

The ENTRUST levy for 2016-17 is set at 2.96%. This was published by ENTRUST on their website on Budget Day.

3. Future Communications

With a view to improving customer communications we would like to send you this type of information via email in future. If you would like to receive future communications via email please send your contact details and email address to: mailbox.environmentaltaxestechnicaladvice@hmrc.gsi.gov.uk

Please note we will not share your details with anyone else and you can unsubscribe at any time. If you have any queries regarding the above, please contact me at the above address.

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