

FINANCE ACT 2014

EXPLANATORY NOTES

INTRODUCTION

Section 100: Rates of Landfill Tax

Summary

1. This section amends section 42 of the Finance Act (FA) 1996 to increase the standard and lower rates of landfill tax in line with inflation (based on the Retail Prices Index (RPI)), rounded to the nearest 5 pence, for disposals of relevant waste made (or treated as made) at authorised landfill sites on or after 1 April 2015.

Details of the Section

2. Subsections (2) and (3a) substitute "£80" with "£82.60" in section 42(1)(a) and (2) of FA 1996. Subsection (3b) substitutes "£2.50" with "£2.60" in section 42(2) of FA 1996.
3. Subsection (4) provides the commencement date for the change.

Background Note

4. Landfill tax was introduced on 1 October 1996 to increase the cost of disposing of waste by landfill and thereby encourage waste producers and the waste management industry to switch to more sustainable alternatives for disposing of waste. There is a lower rate of tax, which applies to less polluting qualifying wastes listed in a Treasury Order, and a standard rate which applies to all other taxable waste disposed of at authorised landfill sites.
5. In the June 2010 Budget, the government announced that the standard rate of landfill tax would rise by £8 per tonne on 1 April each year up to and including 2014. It also announced a floor under the standard rate of landfill tax so that the rate will not fall below £80 per tonne from 2014-15 to 2019-20.
6. Budget 2014 clarified that the floor of £80 per tonne in the standard rate should be interpreted in real terms and announced that the lower rate will, in future, also increase each year in line with inflation (based on the RPI).
7. Following industry engagement to address compliance, Budget 2014 announced that the government will introduce a loss on ignition testing regime on fines (residual waste from waste processing) from waste transfer stations by April 2015. Only fines below a 10 per cent threshold would be considered eligible for the lower rate. Full proposals will be set out in a consultation document later in 2014. Budget 2014 also announced that the government intends to provide further longer term certainty about the future level of landfill tax rates once the consultation process on testing regime has concluded.