# Supermarket leaders warn packaging tax risks pushing up bills by £1.4bn



# Supermarket Leaders Critique Government's Packaging Tax Measures

Following a recent announcement detailing revisions to the packaging tax, supermarket executives have voiced significant concerns, arguing that the proposed changes from the Department for Environment, Food and Rural Affairs (Defra) fail to adequately address the challenges posed by the new Extended Producer Responsibility (EPR) scheme. Retail bosses express that the lack of a comprehensive plan could leave both businesses and consumers grappling with heightened costs and uncertainty.

The EPR scheme is designed to shift the financial burden of household packaging waste disposal from local councils back onto the companies that produce this packaging. While officials anticipate that the EPR could generate up to £2 billion annually from the retail sector, leading brands like Marks and Spencer are bracing themselves for considerable financial implications. The retailer projects an annual cost of around £40 million linked to the new regulations, highlighting the increasing pressures businesses will face, particularly when compounded by other economic factors such as rising national insurance contributions and wages.

Moreover, the implications of these changes extend beyond just immediate operational costs. Critics warn that the forthcoming packaging tax, informally dubbed the 'grocery tax', is poised to escalate household shopping bills by an estimated £1.4 billion per year. The scheme stipulates that retailers and producers will be taxed based on the amount of packaging they utilise, with plastic being charged at higher rates than paper or cardboard. As many families already struggle with the ongoing cost of living crisis, these added expenses could push an increasing number towards financial strain.

As the EPR scheme gears up for its launch next year, businesses are warning that everyday items such as soft drinks, packaged foods, and kitchenware could see significant price increases. The rates proposed by Defra for materials like glass range dramatically, with costs varying from £130 to £330 per tonne. This forecasted financial burden has led to fervent calls from retailers for a delay in implementing these levies until a more robust strategy is established.

The scheme's fundamental aim is to bolster recycling efforts across the UK, alleviating the current burden shouldered by local councils through council tax contributions. Nonetheless, the actual efficacy of the initiative remains in debate, with many in the retail sector adamant that costs will ultimately be shifted to the consumer. Industry leaders stress that unless the government ensures that the funds collected through the EPR are designated specifically for recycling programmes, the true goal of the initiative may not be realised.

As these discussions unfold, businesses continue to emphasise the necessity for delayed action and the establishment of a more thorough, strategic approach. The stakes are high—not just for retailers, but for consumers facing the prospect of rising bills in an already challenging economic landscape. The current situation underscores the urgent need for cohesive government intervention to ensure a sustainable future for both the environment and the economy.

## Reference Map:

* Paragraph 1 – [[1]](https://www.thegrocer.co.uk/news/supermarket-bosses-claim-packaging-tax-rescue-measures-fall-well-short/704200.article), [[5]](https://www.grocerygazette.co.uk/2024/09/23/packaging-tax-raise-prices/)
* Paragraph 2 – [[2]](https://www.ft.com/content/e5ed2e6e-0c00-4399-9acd-ac193a801623), [[6]](https://www.theguardian.com/business/2024/sep/20/packaging-tax-price-everyday-items-uk-firms--extended-producer-responsibility)
* Paragraph 3 – [[3]](https://www.grocerygazette.co.uk/2024/12/27/grocery-tax-extra-56-per-year/), [[5]](https://www.grocerygazette.co.uk/2024/09/23/packaging-tax-raise-prices/)
* Paragraph 4 – [[6]](https://www.theguardian.com/business/2024/sep/20/packaging-tax-price-everyday-items-uk-firms--extended-producer-responsibility), [[5]](https://www.grocerygazette.co.uk/2024/09/23/packaging-tax-raise-prices/)
* Paragraph 5 – [[3]](https://www.grocerygazette.co.uk/2024/12/27/grocery-tax-extra-56-per-year/), [[6]](https://www.theguardian.com/business/2024/sep/20/packaging-tax-price-everyday-items-uk-firms--extended-producer-responsibility)
* Paragraph 6 – [[1]](https://www.thegrocer.co.uk/news/supermarket-bosses-claim-packaging-tax-rescue-measures-fall-well-short/704200.article), [[2]](https://www.ft.com/content/e5ed2e6e-0c00-4399-9acd-ac193a801623)

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## Bibliography

1. <https://www.thegrocer.co.uk/news/supermarket-bosses-claim-packaging-tax-rescue-measures-fall-well-short/704200.article> - Please view link - unable to able to access data
2. <https://www.ft.com/content/e5ed2e6e-0c00-4399-9acd-ac193a801623> - Marks and Spencer anticipates an annual £40 million cost due to the Extended Producer Responsibility (EPR) scheme, which requires businesses to cover the disposal of household packaging waste. The British Retail Consortium estimates the EPR could generate up to £2 billion annually from the retail sector. Retailers are also facing increased costs from other budget changes, such as higher national insurance contributions and wages. The Bank of England has adjusted its growth forecast for 2025 due to these pressures. Retailers have requested a delay in implementing the levies, and there are calls for the government to ensure that funds collected are used specifically for recycling efforts.
3. <https://www.grocerygazette.co.uk/2024/12/27/grocery-tax-extra-56-per-year/> - A new government net zero legislation, dubbed the 'grocery tax', is expected to increase household shopping bills by up to £1.4 billion annually. Critics label it 'unnecessary' and 'growth destroying'. The scheme will charge retailers and manufacturers per tonne of packaging materials they use, with plastic wrapping taxed higher than paper or cardboard, aiming to reduce the UK's consumption of plastic and meet net zero targets. The tax will cover the cost of collecting and disposing of packaging waste, which is currently borne by local authorities through council tax. Concerns have been raised about the true cost of the initiative, with critics warning that the new measures may push up costs for families already facing rising food prices and an ongoing cost of living crisis.
4. <https://www.icaew.com/insights/tax-news/2023/feb-2023/plastic-packaging-tax-proposed-invoicing-requirements-scrapped> - The requirement for businesses to include a statement within invoices to show that Plastic Packaging Tax (PPT) has been paid will no longer be introduced. Originally set to commence in April 2022, this requirement was delayed in May 2022 and has now been scrapped. HMRC confirmed that the mandatory statement will not be introduced, though businesses are encouraged to make their PPT payments visible to business customers. The purpose of making PPT payments visible is to encourage businesses to consider the use of recycled materials or more sustainable packaging solutions.
5. <https://www.grocerygazette.co.uk/2024/09/23/packaging-tax-raise-prices/> - UK companies have warned that the upcoming Extended Producer Responsibility (EPR) scheme for packaging, which aims to fund recycling, will raise prices of many everyday items. The packaging tax, set to roll out next year, will shift the cost of household recycling from councils onto the companies using the packaging. Some products expected to see price increases include soft drinks, beer, and small kitchenware appliances. The Department for Environment, Food and Rural Affairs (Defra) has provided initial estimates of the rates to be charged for each tonne of material, with the rate for glass spanning £130 to £330 a tonne.
6. <https://www.theguardian.com/business/2024/sep/20/packaging-tax-price-everyday-items-uk-firms--extended-producer-responsibility> - The Extended Producer Responsibility (EPR) scheme, set to come into effect next year, shifts the cost of household recycling from councils back onto the companies using the packaging. In August, the Department for Environment, Food and Rural Affairs (Defra) published its 'first estimate' of the rates to be charged for each tonne of material, giving companies a price range from the lowest to the highest. The rate for glass was 'spectacularly high', spanning £130 to £330 a tonne. Based on the highest cost scenario, covering the fees would add 25p – the equivalent of a 10% price increase – to a bottle of elderflower cordial.
7. <https://www.gov.uk/government/publications/changes-to-plastic-packaging-tax-rates-from-1-april-2024/increase-to-plastic-packaging-tax-rates-from-1-april-2024> - As announced at the Autumn Statement, the UK government will legislate in the Autumn Finance Bill 2023 to increase the rate of Plastic Packaging Tax in line with the Consumer Price Index (CPI). The change will take effect from 1 April 2024. The aim of the tax is to provide a clear economic incentive for businesses to use recycled plastic in the manufacture of plastic packaging, which will create greater demand for this material. In turn, this will stimulate increased levels of recycling and collection of plastic waste, diverting it away from landfill or incineration.