

# THE OPPORTUNITY TO INTRODUCE THE TAX FOR NON-RECYCLED PLASTIC PACKAGING WASTE AND HOW TO IMPLEMENT IT IN ROMANIA

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## **Abstract:**

*This article draws attention to the European Council's decision to introduce in 2021 the tax on non-recycled plastic packaging waste. The article analyzes the potential revenues generated by the application of the tax, the ambiguities related to the fiscal proposal and the implementation mechanism, as well as the ways of implementing the tax in Romania and the obstacles it may encounter.*

*The effect of the tax will also be debated, with the national contribution of plastics providing at least an indirect impact for EU Member States. take measures to reduce non-recycled plastic packaging waste. However, it is noted that the tax will not have the effect of a double dividend: a tax benefit and an environmental benefit, it would only be complementary to the direct legal incentives already established in EU environmental legislation.*

**Keywords:** environmental tax, non-recycled plastic packaging waste, ways of implementation

**JEL classification:** Q53, Q56, Q580

## **Introduction**

As part of a fundamental reform of the EU funding system after 2020, In early 2021 the European Union introduced a new fiscal instrument called tax for non-recycled plastic packaging waste.

The European Council argues that this tax will not only serve the tax purpose of generating revenue, but will also support the average goal of reducing the amount of unrecycled plastic waste. Consequently, as the new resource is directly proportional to the amount of non-recycled plastic packaging waste in each Member State, the U.E. will also provide an incentive for Member States to reduce waste streams and encourage recycling and stimulate the circular economy

## **Description of the Problem**

The purpose of this tax is to obtain revenue from national contributions calculated on the weight of non-recycled plastic packaging waste, at an effective rate of EUR 0,80 per kilogram, from 1 January 2021.

Revenues from taxation will be used to support the general budget of the EU, but should not be used as a mechanism for repaying EU loans, especially in international financial markets.

The fee will be paid annually by each EU member state, and the payments will come from national budgets. Member States are likely to use this opportunity to create equivalent plastic duties on national markets to recover the costs of their contributions to the EU budget.

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Contrary to what he claims in the U.E, the national plastic contribution will not have the effect of a double dividend: a tax benefit and an environmental benefit. Its alleged environmental purpose is mainly an attempt to greenwash an unpopular tax measure.

However, it could be argued that this fee - the national plastic contribution - provides at least an indirect impact for Member States to take measures to reduce non-recycled plastic packaging waste.

However, this indirect economic incentive is at best only complementary to the direct legal incentives already laid down in EU environmental legislation).

Given the very short period of implementation of this tax, it may be recommended that the companies covered by this measure consult within the professional associations to which they belong. These companies should analyze the impact that this measure could have on their business and identify the most appropriate implementation options that could be introduced in the legislation to ensure clarity, predictability, efficiency and effectiveness, in the interest of environmental protection. and also, because the legislation will work well from the point of view of business and authorities).

## Methodology and Data

The methodology used in this research largely includes data from the Growth Limits Report from Rome in 1972, ideas from the Report of the World Commission on Environment and Development (1987), ideas and proposals from the Environmental Program Sustainable Development and recommendations of the Program "Promoting" green "economic development in member states of E.U.

## Results

As a result of previous negotiations, countries with a gross national income per capita below the EU average were eligible for a reduction in lump sums (Table no.1.).

**Table 1**

**Potential revenue generated by the application of the tax (in 2021) for non-recycled plastic packaging waste, which can be projected based on the weight of non-recycled plastic packaging waste in 2018 in each EU Member State.**

Member State	Non-recycled Plastic Packaging Waste (in metric tons)	Initial Payments based on Call Rate (0.80 Euro/kg)	Lump Sum Reduction	Final Payments (after Reduction)
<b>Austria</b>	205.765	164.612.000	–	164.612.000
<b>Belgium</b>	199.945	159.956.000	–	159.956.000
<b>Bulgaria</b>	53.641	42.912.800	22.000.000	20.912.800
<b>Croatia</b>	40.332	32.265.600	13.000.000	19.265.600
<b>Cyprus</b>	7.933	6.346.400	3.000.000	3.346.400
<b>Czechia</b>	115.033	92.026.400	32.187.600	59.838.800
<b>Denmark</b>	165.713	132.570.400	–	132.570.400
<b>Estonia</b>	34.491	27.592.800	4.000.000	23.592.800
<b>Finland</b>	93.244	74.595.200	–	74.595.200
<b>France</b>	1,723.640	1.378.912.000	–	1.378.912.000
<b>Germany</b>	1.712.000	1.369.600.000	–	1.369.600.000

<b>Greece</b>	110.340	88.272.000	33.000.000	55.272.000
<b>Hungary</b>	238.566	190.852.800	30.000.000	160.852.800
<b>Ireland</b>	182.116	145.692.800	–	145.692.800
<b>Italy</b>	1.287.456	1.029.964.800	184.048.000	845.916.800
<b>Latvia</b>	28.001	22.400.800	6.000.000	16.400.800
<b>Lithuania</b>	23.292	18.633.600	9.000.000	9.633.600
<b>Luxembourg</b>	17.523	14.018.400	–	14.018.400
<b>Malta</b>	10.739	8.591.200	1.415.900	7.175.300
<b>Netherlands</b>	254.000	203.200.000	–	203.200.000
<b>Poland</b>	633.094	506,475,200	117.000.000	389.475.200
<b>Portugal</b>	274.140	219.312.000	31.322.000	187.990.000
<b>Romania</b>	223.106	178.484.800	60.000.000	118.484.800
<b>Slovakia</b>	64.102	51.281.600	17.000.000	34.281.600
<b>Slovenia</b>	19.889	15.911.200	6.279.700	9.631.500
<b>Spain</b>	815.961	652.768.800	142.000.000	510.768.800
<b>Sweden</b>	122.876	98.300.800	–	98.300.800
<b>EU-27</b>		8.656.938		<b>6.214.297.200</b>

Source: Projection based on Eurostat (2020), *Packaging waste by waste management operations and waste flow*; Council Decision 2020/2053 on the EU Own Resources System, Art. 2.

Some EU member states have already initiated various national tax projects depending on local situations: for example, Finland (packaging made from non-recycled natural resources), Italy (disposable plastics, except compostable or recycled plastic), Lithuania (composite plastic), Spain (non-recycled plastic packaging), Slovenia (composites and plastic-coated paper).

## Some ambiguities related to the fiscal proposal and the implementation mechanism

1. The new source of revenue for the EU budget consists of "revenue from a national contribution calculated on the weight of non-recycled plastic packaging waste at an appeal rate of EUR 0,80 per kilogram" (see pages 8, 64, A29).

Thus, the 27 EU Member States increase their annual contributions to the EU budget based on the amount of non-recycled plastic packaging waste in their country.

The tax is set to be levied on countries and not on polluters or consumer packaging companies. Thus, the task of recovering the tax amount already paid to the EU treasury is left to certain countries.

From a technical point of view, each country can develop its own system to transfer the cost to packaging companies.

Consequences: Because some EU Member States (including Romania) will benefit from reductions, an asymmetry will be created in terms of levy throughout Europe and, if each country proposes its own mechanism for recovering the cost of the plastic tax, then it will lead to the fragmentation of the EU market and will act against the concept of the single market.

Moreover, if several countries impose the tax while others do not, then there is a chance of migration of packaging companies or part of their activities to countries with a lower tax burden.

2. The methodology for determining the quantity not recycled is unclear.

As the tax burden is not uniform in all countries and some of them have obtained reductions, it is not certain whether countries will develop similar mechanisms and charge fees for packaging companies. In addition, it is not yet known how countries will assess the recycling rate and how soon the methodology will reflect the new directive. It is important to define this methodology, as it will significantly change the evaluation of non-recycled plastic packaging.

The potential revenue generated by the application of the tax is estimated at EUR 6.214 billion (less than EUR 700-800 million as estimated by the EC) and is derived from the recycling rate reported by Eurostat of 42% (i.e., the non-recycling rate of 58% or 7, 5 million metric tons), which is based on Directive 94/62 / EC, which measures recycling at gross level or after the sorting stage.

The old directive has been replaced by the new directive issued in 2018, which measures entry-level recycling for recyclers. According to the new directive, the recycling rate is much lower, at around 30%. In fact, if all the provisions of the new directive apply, then the recycling rate will continue to fall to about 25-30%, raising the non-recycling rate to 70-75% or even more. It is not yet clear when this new calculation methodology will be implemented, but when it will finally be, the tax burden will increase on countries and, by extension, on packaging companies.

3. There is no correlation between the use of recycled material and this new tax.

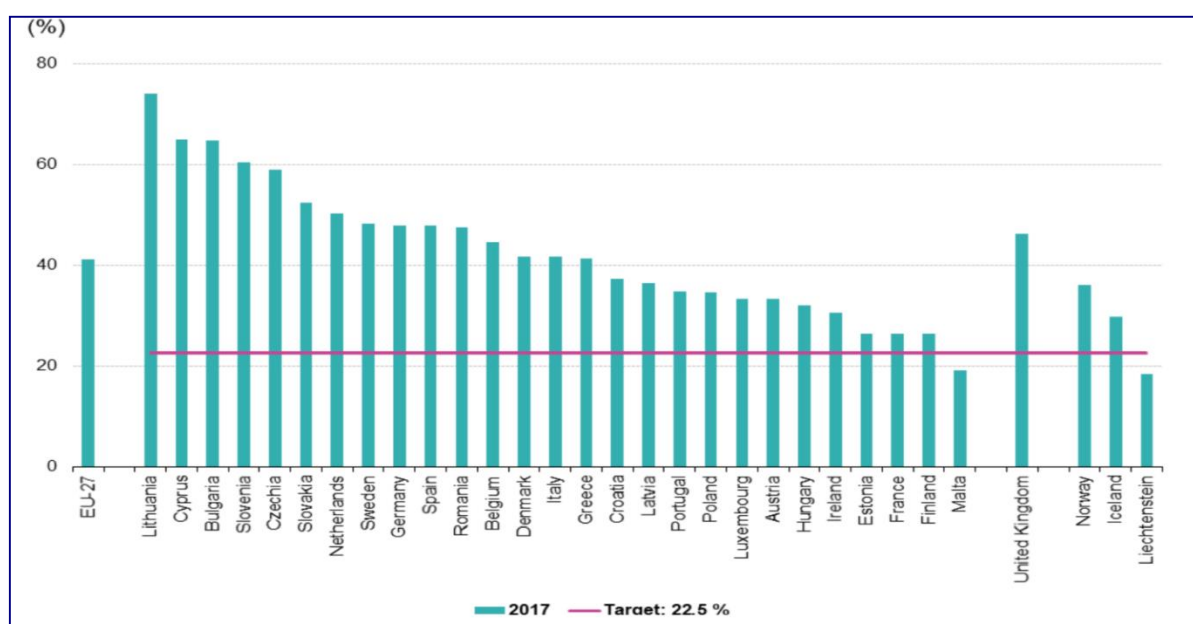
4. The tax will not promote recycling and the circular economy, as it deprives Member States of the investment funds needed for a better infrastructure for sorting and recycling plastic packaging.

As the tax is not earmarked for a specific purpose, these investments are not made through the EU budget either. Improving the recycling of plastics requires considerable investment from medium-sized companies in innovative materials, new machinery and the design of plastic packaging.

These investments will only materialize if political decision-makers create the necessary planning and legal certainty that these investments will work.

5. Revenue from the EU plastics tax will not contribute to the financing of the Corona Recovery Fund, but will be paid into the general budget of the EU without being allocated for a specific purpose.

6. Eurostat waste statistics are not judiciously comparable between Member States, as the way the figures are generated differs significantly between Member States. Thus, according to the latest Eurostat data - the countries with the highest recycling rates for plastic packaging are Lithuania, Cyprus and Bulgaria (Figure no.1.).



**Figure 1: Recyclin rate for plastic packaging waste, 2017**

Source: date Eurostat, 2018

To date, national recycling rates have not had a real impact - as long as EU targets have been met. With the direct impact of recycling on national payments to the EU budget, the amount of plastic packaging statistically reported to be recycled is expected to increase. What is lost is the comparability and especially the model function of the countries that actually recycle more.

7. The tax on non-recycled plastics is disproportionately high, the revenues from the plastics tax exceed ten times the annual costs calculated for better recycling of plastic packaging in the EU27. According to the study What is plastic (Simon Hann and the team, January 21, 2020), the total investment costs for recycling plastic packaging in the EU27 will amount to about 6 billion euros between 2021 and 2027. This represents about 800 million euros. per year, which represents one tenth of the assumed revenue from the fee for non-recycled plastic packaging waste.

8. The term "tax" is the generic term for taxes, duties and contributions. In the case of fees and contributions, the equivalence between payment and returned service must always be sought (principle of equivalence or "Quid pro quo"). Instead, taxes are prohibited from allocating specific expenses and are used for general fundraising. As the revenue from the so-called plastics tax is not allocated, but will be paid to the general budget of the EU, there is therefore a strong argument for the name of the tax.

9. The fee will apply in particular to those Member States with reduced plastics recycling capacities, as they will have to pay more than those with better recycling infrastructure. There are major differences in the distribution of recycling capacity in Europe: Italy has the highest installed capacity for these flows, with a rate of 25%, Germany 22%, Spain 22%, Great Britain 15% and France 9%, and the other Member States together they hold only 7%.

Consequences: Paradoxically, the tax will affect countries that need support in building their recycling infrastructure. Instead, these countries will be forced to contribute disproportionately more to the overall EU budget than other countries with high recycling rates.

This tax should act as an incentive for Member States to improve their recycling capacity, but may affect competition at European level, depending on how it is implemented in each Member State.

10. Taxation policy is very important because it can create a serious imbalance in the market and lead to unfair competition.

Consequences: A duty paid only by European producers leads to unfair competition from exporters in countries that do not have to pay this duty. There is also a lot of competition between virgin and recycled plastic, some manufacturers not wanting to use this type of plastic (recycled).

## **Tax application in Romania**

If the authorities choose to introduce a new environmental tax, there are several implementation options, such as for the tax to be borne by plastic packaging manufacturers or companies whose products are packaged in plastic or by companies that sell plastic consumer products placed on the market) and the quantities of packaging waste handed over for recycling / recovery.

Thus, the authorities may decide to amend this charge or introduce an additional charge, in order to collect and redirect to the EU budget 0.8 euro / kg for non-recycled plastic packaging waste.

Imposing this tax will create a new burden for producers who place packaged goods on the market, as it will be based on the amount by weight of plastic placed on the market / generated waste, and not on recycled plastic waste.

Romania currently recycles approximately 15% of the waste it produces.

Currently, there is already a tax of 2 lei / kg on plastic packaging, which is paid by companies that put packaged goods on the market, for the difference between the annual recycling / recovery targets (compared to the quantities of packaging).

For the introduction of the plastic packaging waste tax, the most appropriate implementation options that could be introduced in the legislation to ensure clarity, predictability, efficiency and effectiveness must be identified.

## **Obstacles in the introduction of the tax in Romania**

- Lack of a sufficient number of plastic recyclers;
- The new fee should be combined with an increase in the landfill tax, so as not to put too much pressure on the system;
- rethinking the municipal waste stream that does not work at the parameters at which it was designed, to streamline the guarantee-deposit system, which can solve up to 20% of the problem of plastic waste;
- the lack of adequate waste collection infrastructure will mean that the cost of any potential plastic charges currently proposed or introduced behind this legislation will be passed on to the consumer until chemical recycling matures and provides sufficient volume of material to address the shortages;
- if the cost of the tax is transferred to the supply chain, for many packaging operations, the limited volume of plastic in a product will mean the addition of only 1-2 cents (per product), which could be easily transferred to the consumer.
- the consumer will be the one to pay and there will be no incentive to convince him to collect, sort and use better and for a longer time the recycled plastic contained in a certain product.

## **Introduction of the plastic tax in Romania**

The plastic tax in Romania includes in its scope

- a) Plastic packaging that is not designed to be reused;
- b) All non-reusable plastic products that contain liquids or solids or for the packaging of goods or food.
- c) Plastic containers composed of several materials.

### ***Exemptions***

- (i) The manufacture, import or intra-Community acquisition of non-reusable plastic packaging which is shipped directly to other EU or non-EU countries.
- (ii) The manufacture, importation and intra-Community acquisition of non-reusable plastic packaging, which is destroyed before the end of the period set for the submission of the tax return.
- (iii) The manufacture, import or intra-Community acquisition of unusable plastic packaging used as primary packaging for medicinal products.

It is necessary to set up a deduction system to guarantee tax exemption. In addition, intra-Community purchases and imports of reusable plastic packaging made for private purposes shall not be subject to duty where the weight of non-reusable plastic packaging does not exceed five kilograms.

### ***Tax base and tax rate***

The tax base will consist of the quantity, expressed in kilograms, of plastic packaging that cannot be reused, and the tax rate will be less than or equal to EUR 0.8 per kilogram.

### ***Contributors***

Producers of taxable items and those who make intra-Community purchases or imports in Romania will be the tax payers.



Taxpayers who are not established in Romania must appoint a tax representative to represent them before the tax administration and make the respective appointment, duly accredited, before starting the activities subject to taxation.

### **Collection procedure**

The revenues from this tax can be collected as those obtained from the imposition of the tax of 2 lei / kg tax on plastic packaging, which is paid by the companies that introduce packaged goods on the market.

The plastic tax will be assessed quarterly. Taxpayers will also need to register, before starting their work, for a national tax census that will be created for this purpose. In addition, the taxpayer will be required to keep and electronically submit some specific accounting books.

In order to assess the effects that this new tax could have on different companies, the impact on both the business and the supply chain should be analyzed, identifying areas that could be affected and how they should be adapted to the new business. plastic tax.

## **Conclusions**

By 2030, all packaging in Europe should be recyclable. Until then, 10 million tons of recycled materials are to be used in the manufacture of plastic products. The industry is working to make more recyclable plastic packaging to increase the use of recycled materials. All these actions cost billions of euros. If this money were now taken from companies and used to cover the EU budget, it would create a major obstacle to the circular economy.

## **Future Directions**

It is appropriate to consider the creation of a new indirect tax on non-reusable plastic packaging for single-use plastic articles intended to contain or protect goods or foodstuffs with a wide scope.

It can internalize the environmental costs of manufacturing and consuming plastic in the price of final products.

Taxation is performed for the manufacture, import or intra-Community acquisition of unusable plastic packaging only when they will be used on the Romanian market.

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