



HM Treasury

Landfill Tax Review

Summary of Responses to the Call for Evidence on aspects of Landfill Tax

March 2023



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Chapter 1

Introduction

1.1 At Spring Budget 2021, the government announced there would be a review of Landfill Tax in England and Northern Ireland, following an initial period of engagement with stakeholders. The government also announced the aim of the review was to ensure the tax continues to support the government's ambitious environmental objectives, including zero avoidable waste by 2050.

1.2 In November 2021 the government launched a call for evidence on aspects of Landfill Tax. The call for evidence ran to 22 February 2022 and sought views on key design features, including levels of Landfill Tax that apply to different materials and on the circumstances in which exemptions and discounts can be claimed.

1.3 The review of Landfill Tax is part of a wider set of measures to support the government's environmental and waste management objectives. The 2018 Resources and Waste Strategy for England announced major reforms which aim to encourage waste to be managed more sustainably. The reforms include consistent household and business recycling collections, a deposit return scheme for drinks containers and an extended producer responsibility scheme for packaging.

1.4 Since the launch of the call for evidence, the Department for Environment, Food and Rural Affairs (Defra) has published the Environment Improvement Plan. This provides an update on policies to support delivery of the government's 25 Year Environment Plan goal to minimise waste, reuse more materials and manage materials at the end of their life to minimise impacts on the environment. These policies include publishing a consultation on eliminating biodegradable waste from disposal at landfill in England. The government has also introduced new legally binding targets, which include halving the waste per person that is sent to residual treatment by 2042.¹ In addition, the Plastic Packaging Tax came into force from 1 April 2022.

1.5 In addition to considering how Landfill Tax can continue to support environmental objectives, as part of the review the government will consider the design of the tax and the impact of any proposed changes on stakeholders, along with the interactions with Scottish Landfill Tax and the Landfill Disposals Tax in Wales.

1.6 A total of 49 written responses were received and the government is grateful to all respondents who took the time to submit

¹ [The Environmental Targets \(Residual Waste\) \(England\) Regulations 2023 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

responses, which have informed continued policy development since the call for evidence closed. Government officials also directly engaged with representatives from industry trade bodies, landfill operators and businesses operating in the sector, environmental groups, the Devolved Administrations, and other interested parties to discuss the call for evidence in more detail.

1.1 This document summarises the responses to the call for evidence and next steps, including aspects of Landfill Tax design the government intends to consider further. Chapter 2 summarises the answers received to the questions on the government's response to waste crime. Chapters 3 and 4 summarise answers to questions on the lower rate of Landfill Tax and the Qualifying Materials Order. Chapters 5 and 6 summarise answers to questions on exemptions and discounting water. Chapter 7 outlines next steps.

Chapter 2

Waste Crime

2.1 The questions in Chapter 2 sought views on the government's overall response to waste crime. The government recognises waste crime can blight local communities, reduce Landfill Tax revenue and make it difficult for legitimate operators to compete in the sector. Waste crime can also cause serious environmental damage. As set out in the call for evidence², the government deploys a range of levers to tackle waste crime including regulation, multi-agency enforcement through the Joint Unit for Waste Crime, and penalties. Though it is not possible to tackle waste crime through changes to Landfill Tax alone, the government will consider waste crime impacts during the review whilst continuing to focus on using a suite of wider measures to tackle this issue.

Question 1: In the context of the government's overall response to waste crime being led by Defra, what more could HMRC do, together with Defra and the Environment Agency, to tackle waste crime?

2.2 There were 27 responses to question 1 relating to waste crime. A large majority of respondents highlighted waste crime continues to be a major challenge for the sector. Waste crime includes a range of activities including fly-tipping, unauthorised waste sites, Landfill Tax fraud and illegal exports. Several responses called for the government to take further action to tackle these issues.

2.3 Fly-tipping and the scale and timeliness of the response from Defra, the Environment Agency and local councils was raised by several respondents. One trade body noted investigations and prosecutions for fly tipping offences typically take a long time, which contributes to the scale and impact of fly tipping on the industry and local communities. Four respondents felt financial penalties should be increased to provide more of a deterrent effect.

2.4 Some respondents noted there was a perception in the sector that regulatory and enforcement action was taken mainly against registered sites and called for more action to detect and prosecute illegal operators.

2.5 Several stakeholders noted and welcomed the Defra consultation on reforming the waste carriers, brokers and dealer registration system, which closed on 15 April 2022. Alongside this, the consultation on mandatory digital waste tracking was welcomed by many respondents

² [Landfill Tax Review: Call for Evidence on Aspects of Landfill Tax](#), page 13

who felt these proposals had the potential to bring about positive change in the industry. To this end, one waste operator stressed the importance of the proposals being robustly and consistently enforced by all government agencies and across the entire resources and waste sector. Other respondents called for reform to make greater use of joint and severable liability powers or a new duty of care system for waste.

2.6 The Joint Unit on Waste Crime (JUWC) is a multi-agency taskforce made up government agencies including Defra, HMRC, the Environment Agency, and the National Crime Agency. It was set up in 2020 to tackle serious and organised crime in the waste industry, including fly tipping. The work of the JUWC was welcomed by several respondents, though there were calls for it to be better resourced and go-further.

2.7 In 2018, HMRC extended the liability for Landfill Tax to unauthorised waste sites, giving them power to charge Landfill Tax due plus penalties. This development was welcomed by a several respondents, however other responses suggested there was a lack of awareness of instances where the powers have been successfully used to impose penalties. Several respondents called for successful enforcement operations by the JUWC and HMRC to be better publicised, to raise awareness and create a greater deterrent effect.

2.8 In relation to Landfill Tax policy, some respondents flagged the large gap between the lower and standard rates of Landfill Tax as a key driver of misclassification of waste. It was suggested that increasing the lower rate of tax could reduce misclassification. One trade body called for clearer and simpler Landfill Tax guidance which they felt was difficult to follow, resulting in issues for landfill operators.

Question 2: Are there any other areas where you think HMRC could work collaboratively with environmental regulators to prevent Landfill Tax avoidance and evasion?

2.9 There were 31 responses to question 2.

2.10 Similar to question 1, several responses called for more funding and closer multi-agency working, at a national and local level, to more effectively tackle avoidance and evasion. One stakeholder highlighted the waste codes used by the Environment Agency and codes used to record different materials for Landfill Tax could be aligned, to support multi-agency operations.

2.11 To complement larger operations, one respondent suggested there should be targeted action in cases of suspiciously low pricing for waste disposal in collaboration with the waste sector. Other respondents who represent local government called for more support for local authorities to tackle smaller scale, local waste crime which is outside the scope of work carried out by national agencies, including the JUWC.

2.12 Responses also highlighted several specific areas where respondents felt more action, which in some cases could include changes to aspects of Landfill Tax, was needed to deter avoidance and

evasion. These included taking action against disposals at unauthorised waste sites, improving compliance through the qualifying fines regime, and tackling perceived abuse of the water discounting regime and dredgings exemption, which are considered in Chapters 5 and 6. One stakeholder also suggested HMRC, together with other government agencies, should run public information campaigns to educate the public on how to prevent their waste being disposed of illegally.

Chapter 3

Lower Rate of Landfill Tax

3.1 There are two rates of Landfill Tax, a lower rate for less polluting materials and a standard rate for all other taxable materials (including all disposals at unauthorised landfill sites). When deciding which materials are subject to the lower rate of Landfill Tax (currently [£3.15] per tonne) the government considered criteria including the potential for greenhouse gas emissions, the polluting potential in the landfill environment and whether the materials are hazardous.

3.2 The questions in Chapter 3 sought views on whether these criteria incentivise the best possible environmental outcomes, including whether they support government objectives relating to resource efficiency, waste prevention, recycling and reuse.

Question 3: How do the current criteria for the lower rate of Landfill Tax align with the government's evolving environmental goals?

3.3 There were 30 responses to question 3. There was general support conceptually for a lower rate and recognition that distinguishing between active and inert materials which are less polluting, supports net zero goals.

3.4 Some respondents commented that the current criteria does not take account of the environmental impact of landfilling this material rather than recycling or reusing it. These impacts include loss of 'embedded carbon' and the carbon and wider environmental impact associated with producing new virgin materials rather than recycling existing materials. Responses noted in particular that the lower rate is 'acting as a barrier to materials being driven up the waste hierarchy.'

3.5 Some respondents suggested the structure of the tax could be reformed to better support environmental goals – including moving some material from the lower to the standard rate, applying an escalator to the lower rate and introducing a 'middle rate' between the lower and standard rate. Certain responses highlighted the application of the standard rate or a new middle rate would be a more targeted solution than applying a general escalator to the lower rate, but could make the tax more complex.

3.6 Some respondents noted the wider risks of changing the structure of Landfill Tax rates, including impacts on waste crime. One respondent did note the potential for a middle rate to reduce misclassification of standard rated material as lower rated.

Question 4: Would considering the potential for materials to be moved up the waste hierarchy as a criteria for the lower rate help to align the tax with environmental goals?

3.7 There were 29 responses to question 4. The majority of respondents who expressed a view agreed that considering the potential for lower rate materials to be moved up the waste hierarchy when deciding which materials are subject to the lower and standard rates, would help to align Landfill Tax with environmental goals.

3.8 Respondents acknowledged introducing this new criteria would mean some materials would no longer be eligible for the lower rate, which would increase the financial incentive to explore alternative waste management options. Respondents encouraged the government to consider each type of material in turn due to the wide range of factors which determine their potential to be managed up the waste hierarchy. These factors include impact of reforms in the Resources and Waste Strategy, regulation, whether there is a viable market for the recycled material, and long lead times to build the infrastructure needed to manage the material outside of landfill.

3.9 Some landfill operators felt there was limited scope to move lower rate materials up the waste hierarchy. These respondents highlighted how the Waste Regulations 2012 already require the waste hierarchy to be considered when disposing of material, which means it typically goes through sorting and treatment before landfilling. They also highlighted there is a need for some inert material to be disposed of to landfill to meet requirements for backfill. One respondent argued that making it more expensive to landfill residues would damage the recycling sector.

3.10 Other respondents suggested alternatives to Landfill Tax changes, which could help drive materials up the waste hierarchy. These include minimum recycled content requirements for construction materials, more developed guidelines for soil and stone re-use, and stronger requirements for processing material before the lower rate could apply.

3.11 Several respondents also highlighted the importance of a robust enforcement regime, to make sure the incentives provided by any changes drive the desired behaviour change.

Question 5: Are there any other considerations which the government should take into account when setting the criteria for considering whether materials should be included in the lower rate?

3.12 There were 26 responses to question 5. Some responses referred back to questions 3 and 4, highlighted similar points or reinforced the need to continue to consider the existing criteria alongside any new ones. Suggestions for additional factors which the government should consider when deciding whether a material should qualify for the lower rate included:

3.13 The chemical composition of waste materials which could impact on the scope to recycle and re-use them.

- 3.14 An assessment of alternative treatment methods, including financial costs and carbon impacts (including considering life cycle assessments and waste miles).
- 3.15 The impact on alternative treatment methods, such as how the residue from anaerobic digestion is treated.
- 3.16 The scope for end use of recycled material and any related regulations governing the sale of such materials. Standardised testing was suggested as a way to increase confidence in the quality of recycled materials.
- 3.17 One respondent highlighted a potential trade off in criteria with respect to waste being non-hazardous and being pushed up the waste hierarchy. They noted that in some cases pre-treatment of waste to recover material can cause hazardous elements to become more concentrated in the residual waste so, overall, the waste becomes hazardous.
- 3.18 Some responses suggested that it was important to keep any changes and classifications under review and consider performance indicators to measure progress and help assess whether adjustments would be required. Other respondents called for more rigorous testing before entry to landfill sites to assess waste streams and for more clarity in guidance in the application of the lower rate so that landfill operators could have more confidence in their assessments.

Chapter 4

Qualifying Materials

4.1 The Landfill Tax (Qualifying Material) Order 2011 (QMO) sets out the materials that are eligible to be taxed at the lower rate. Question 6 sought more detailed views on the materials currently contained within the QMO, seeking views on the scope for moving these materials up the waste hierarchy.

Question 6: For each group of materials in the QMO;

- **Is there scope for materials to be moved up the waste hierarchy?**
- **Is eligibility for the lower rate acting as a barrier to these materials being moved up the waste hierarchy?**
- **If current barriers are reduced what scale of material could be diverted from landfill and what would remain?**

4.2 The government received 24 responses to this question from landfill operators and the wider waste and resource management sector; local government; environmental groups; and waste producers.

4.3 Many of these responses considered these questions in the round rather than looking at specific materials. In other cases, the focus was on Group 1 (soil and stones) and/or Group 2 (ceramics and concrete). Limited information was provided in respect of the remaining groups in the QMO.

4.4 Some of the more general comments covered the same ground as those made in responses to question 3 to 5 and these points are summarised in Chapter 3 above.

4.5 There was general agreement that there was merit in considering revisions to the lower rate, but differences in opinion on the scope for beneficial change.

4.6 Some respondents commented that the absence of robust data made it difficult to predict what effect, if any, increasing the lower rate of Landfill Tax would have on diverting waste away from landfill.

4.7 Landfill operators argued that lower rate status is not a commercial hinderance on the recovery of materials where it is technically feasible to do so, and that since most relevant materials are already recycled or recovered the impact of removing barriers would not be significant. However, others argued that the expense of transporting and treating waste is a significant incentive to dispose of lower rate material at landfill, and that since the cost of landfill is not prohibitive, alternatives are not being developed. Others argued that removing the lower rate would not necessarily make any difference as

there are numerous other factors which deter recovery and reuse and that there needs to be more joined up thinking across government. One respondent cautioned that moving qualifying materials up the waste hierarchy would require investment, which when balanced against the economics, may not be attractive.

4.8 Limited evidence was received on the type and scale of materials which could be diverted from landfill if barriers were reduced. The government intends to conduct further research and analysis on this question, prior to confirming next steps.

4.9 Where responses focused on individual materials there were mixed views on the scope for movement up the waste hierarchy and more caution from the waste management sector and local government.

4.10 On Group 1 (soils and stones) there were mixed views on the potential for large volumes of soils to be managed more sustainably. Some respondents argued more soil would be recovered and re-used if it was subject to the standard rate, rather than the lower rate of Landfill Tax. Other respondents said there were limited uses for some soils, so subjecting them to a higher rate of Landfill Tax could lead to more, potentially unsuitable, soil being disposed of to exempt sites such as golf courses and quarries. Several respondents argued that regulation needed to be reviewed to allow soil to be transported and re-used more easily, in some cases suggesting that this was more of a barrier than the lower rate of Landfill Tax.

4.11 In the case of Group 2 (ceramics and concrete) some pointed out that virgin aggregates prices vary throughout the UK, limiting the potential market for recycled group 2 materials. In the case of glass, which also falls within Group 2, one respondent argued that there is no incentive for the construction sector to segregate flat glass during demolition and construction.

4.12 One response from a landfill operator asserted that the volumes of material from Groups 1 and 2 that go to landfill are small and generally because either they are unsuitable for re-use, recovery, or recycling, landfill is the best option where they may be hazardous.

4.13 Some environmental groups argued that construction and demolition waste (Group 2), slags (Group 4) and incinerator bottom ash (Group 5) should not be lower rated as these could be pushed up the waste hierarchy. For Group 2 waste, they argued in response to question 3 that including them in the standard rate of Landfill Tax could incentivise more sustainable building practices. Other respondents suggested better regulation and clearer guidance.

4.14 Local government respondents felt that rock and soils (Group 1), concrete (Group 2) and ash (Group 5) were already managed higher up the waste hierarchy where it was economic to do so.

4.15 Some respondents also provided examples of where the current lower rate is acting as a barrier to managing materials more sustainably in response to questions in Chapter 3. For example, gypsum and glass

are recyclable, however the current lower rate of Landfill Tax contributes to them being cheap to dispose of to landfill, which means there is a limited economic incentive to recycle these materials.

4.16 For asbestos, several respondents suggested it should be subject to the lower, rather than standard rate on the basis its hazardous nature makes it very challenging to reuse or recycle. One respondent suggested calcium oxide, which is added to some excavated material to make it more stable for re-use, should also be subject to the lower rate.

4.17 A respondent from the waste and resource management sector commented that any changes to the lower rate status or increase in rate could result in unintended consequences: delays to brownfield development, increase in raw products for facilitating treatments, increase in use of primary aggregates for haul roads; diversion to sham treatments. They recommended HMRC should conduct full regulatory, environmental and economic impact statements before considering further.

4.18 A number of responses stressed the importance of preannouncing any changes to allow sufficient time for infrastructure to be put in place, and any rate increases implemented via an escalator to enable businesses to respond.

Chapter 5

Exemptions

Filling of quarries

5.1 Questions 7 and 8 sought views on the exemption for lower rated material used to fill existing or former quarries

Question 7: Does the exemption for filling quarries act as a barrier to excavation material being moved up the waste hierarchy?

5.2 There were 24 responses to this question from the quarrying and mining sector, the waste and resource management sector, waste producers, local government and tax advisers. Many responses considered the broader question of the classification of using waste to fill quarries in the waste hierarchy. Those respondents saw using excavation materials to backfill quarries as more similar to recovery, rather than disposal, and some pointed out that other countries class it as such. These respondents argued these materials were not suitable for recycling, so using inert, non-polluting materials such as clays and subsoils for quarry restoration was an appropriate and beneficial use of material. Some pointed out that the material is treated to remove anything recyclable as a condition of the disposal permit, and therefore the exemption does not act as a barrier to material being moved up the waste hierarchy.

5.3 Local government respondents said that the exemption was probably a barrier to material being moved up the hierarchy, but that this had to be balanced with the need to restore quarries.

5.4 Some respondents in the waste sector said that backfilling quarries was not necessarily the best environmental outcome for these materials and that quarry owners could explore other options with the right incentives. There was also some concern about the regulation and enforcement of qualifying materials going into these sites.

Question 8: Are there other factors which should be taken into account in assessing this exemption?

5.5 The government received 22 responses to question 8 from the quarrying and mining sector, the waste and resource management sector, waste producers, local government and tax advisers. Most responses to this question cited the importance and desirability of returning mineral workings to beneficial use, mentioning positive benefits to agriculture, recreation and biodiversity as examples.

5.6 Respondents in the quarrying sector stressed that phased and final restoration was usually required under the terms of planning consents. While they saw restoration as 'recovery', and some quarry operators had recovery permits, many in the sector operated under

disposal permits because of timing issues with the permit application process. This brought them within the scope of Landfill Tax. They said the exemption was therefore important to ensure these operators could attract enough suitable material to restore in a timely manner in compliance with their planning obligations.

5.7 In the landfill sector, many respondents supported the exemption in principle, but said they would welcome better regulation. One respondent said there is evidence of a whole range of materials being blended with soils going into these sites.

5.8 Local government respondents said the distance soils were transported to these sites, and the overall carbon impact of that operation should be a consideration. They suggested this distance could be limited to reduce the impact.

5.9 Some respondents said that construction projects relied heavily on exempt outlets for disposing of excavation material which has no other use – such as clay, chalk, pile arisings and contaminated material. They said that transport costs for these materials are already high, and removing the exemption would add to the costs of the project while not improving recovery rates. The same point was made about residual waste from recycling operations, such as soil washing plants.

5.10 Other respondents thought removing this exemption would increase illegal fly tipping and sham recovery schemes. Finally, some respondents commented on the qualifying materials that can be accepted under this exemption. Comments included that the list was too prescriptive; that more clarity was required; or that the list should better reflect the aims of the Waste Framework Directive.

Mining and quarrying materials

5.11 These questions sought views on the exemption for material arising from mining and quarrying operations disposed of at an authorised landfill site, which in some cases can be a quarry. 14 respondents replied to these questions

Question 9: Material from what type of mining or quarrying operation benefits from the exemption for materials from this activity, and what sort of quantities are involved?

5.12 Respondents from the mineral extraction sector said that most mining and quarrying wastes were returned to the site of extraction. Minerals are washed and screened, and the resulting silt residue (typically 15 to 25 per cent of the raw feedstock according to one respondent) is used for restoration. One respondent said this material can include overburden (the overlying layer of material that has to be removed above a mineral deposit) when there is not enough space to store it on site. These respondents said these materials reduce the amount of imported material needed for restoration.

5.13 In the landfill sector, one respondent said they use limited quantities of these materials for landfill engineering or daily cover

(covering the waste in landfill cells). They can be valuable when alternative supplies, such as subsoils, are difficult to obtain.

5.14 No respondents were able to provide exact figures on quantities involved.

Question 10: Does the exemption for mining and quarrying materials act as a barrier to these being moved up the waste hierarchy?

5.15 There were mixed views on this question. Some respondents from local government and the waste sector said this exemption was likely to act as a barrier to moving the material up the waste hierarchy. They said this was because disposal was cheaper than other options, and alternatives would need to be incentivised and a secondary market created.

5.16 One respondent in the mining sector said they consider options for reuse under Environment Agency waste exemptions, but there is little incentive for them to investigate alternative disposal options as few outlets are willing to take rocks and soils. A respondent from the mineral extraction sector said that mining waste is regulated through a mining waste permit, and management and disposal will be regulated to ensure that any material that can be, is managed up the waste hierarchy.

5.17 Others in the landfill sector said disposing of these materials in landfills is more expensive and logistically burdensome than recovery options. They said organisations are, therefore, more likely to prefer recovery options, including backfilling of the original mineral workings. One said using these residues on site has an environmental benefit, avoiding the use of virgin materials, and as such has moved the use up the waste hierarchy.

Dredgings – material removed from water

5.18 These questions sought views on whether the material removed from water exemption may be acting as a disincentive to moving dredged material up the waste hierarchy; and on the potential for limiting the materials added to the dredgings for the purposes of rehydration to those listed in the Qualifying Materials Order.

Question 11: Do you have any details of the types and amounts of other materials that are currently being added to dredged waste?

5.19 A number of respondents provided details or comments on the amounts of materials currently added to dredged material. Some of those specifically referred to Air Pollution Control Residues (APCR) being used, with the use of this material being supported by some.

5.20 Responses indicated that around 50 thousand tonnes of APCR was being added to the dredged material.

5.21 One landfill operator commented that the difficulty is in determining that the quantities of APCR added were no more than was necessary and a couple of respondents expressed concern that the exemption for added material was being used to dispose of a standard rate material without paying tax.

5.22 Responses also sought to situate the amount of material in the wider context of dredgings and their waste treatment. One respondent identified that in 2018 around 275 thousand tonnes of dredged material was sent to landfill, of which 218 tonnes was hazardous. They also noted that a small proportion of dredged material was sent for physico-chemical (dehydration) treatment prior to landfill. Another response indicated that only around 5% of the dredged material received at permitted waste sites in 2018 potentially had other material added to it and that this was only 0.03% of all dredged material arisings in the UK.

Question 12: Does this exemption act as a disincentive to the moving of dredged material up the waste hierarchy?

5.23 There were mixed views on whether the exemption acts as a disincentive to moving dredged material up the waste hierarchy. Some respondents, including those representing local government felt that this was, or potentially could be, the case. However, others disagreed, with those producing the dredgings arguing that landfill was by far the most expensive disposal option and only undertaken when no other options are available either because the material is too contaminated or because there is no suitable land to use for alternative methods.

5.24 Some respondents also argued that dredged material was already on a high level of the waste hierarchy, especially compared to conventional sea disposal. To remove the exemption would result in the material being disposed to sea which is lower on the waste hierarchy.

5.25 Other responses commented more widely about the materials added to dredged material and the scope to move those up the waste hierarchy. One response highlighted that there are no requirements on the type of material added to the dredged material to turn it in to a non-liquid state. They noted that this provided an opportunity to use materials which are difficult to dispose of to add to the dredgings, creating a disincentive to manage those materials further up the waste hierarchy.

Question 13: If the materials on which the exemption could be claimed when added to dredged waste were to be limited to those listed in the Schedule to the QMO, which of these would have the necessary dehydrating properties and are they available in the required quantities?

5.26 7 respondents provided detailed views on this question.

5.27 Some argued that Group 5 qualifying materials (ash) have the necessary properties to dehydrate dredging and are currently available in the required quantities. However concerns were raised by some around the availability of materials in future. For example, Pulverised Fuel Ash was noted as suitable but a diminishing resource and having the alternative use in cement and concrete manufacture (further up the waste hierarchy already than if it were used to treat dredged material). However, some respondents said that bottom ash has limited dehydrating/water binding capabilities and is more suitable for reuse as aggregate.

5.28 Limitations with other materials were also highlighted. Group 6 materials (low activity inorganic compounds) once they become a waste, are likely to already be wet as they are typically used in some industrial processes to dehydrate gases/organics and therefore is unlikely to meet the requirements under Excise Notice LFT1. The majority of respondents were not aware of significant quantities of this material being present within the UK waste market. The use of Group 7 (calcium sulphate) materials would cause hydrogen sulphide issues if they were combined with dredged material, so these are not deemed suitable.

5.29 A number of respondents had no comments on the actual materials to be used, but welcomed a position whereby only the 'correct' amount of lower rated material be permitted to be blended to achieve the dewatering of dredging. It was also felt that it was counterintuitive to add more material to dehydrate and then benefit from an exemption, when the material could actually be a valuable resource. It was noted that in Wales there is already an approach of limiting materials added to dredged material to QMO materials and limiting the amount of material to no greater than is necessary to achieve its purpose of ensuring it is not in liquid form.

Chapter 6

Discounting Water

6.1 An application can be made to discount the water content of material when calculating the taxable weight of the material in certain circumstances. Water must not present naturally in material and must constitute 25% or more of material by weight. The water must also have been: *added to allow transportation for disposal; used for the extraction of minerals; or it has arisen, or has been added, in the course of an industrial process.* A water discounting agreement is between HMRC and the waste producer, with the landfill operator agreeing to take the waste.

6.2 These questions sought views on whether this has adverse environmental impacts and on how the approach could be improved.

6.3 18 respondents replied to these questions. This includes responses from landfill site operators and others in the waste management sector, as well as from waste producers and from local government.

Question 14: Are there circumstances in which water discounting can act as a disincentive to maximising the recovery of materials?

6.4 The majority of the respondents to this question thought that the water discounting scheme does provide a disincentive to the recovery of materials. This was on the basis that since it makes sending material to landfill cheaper it does not encourage removal of water. It therefore limits incentives for innovation within the industry for alternative ways to manage material higher up the waste hierarchy. There was also a suggestion that this did not encourage the efficient use of water.

6.5 There was also concern that some waste producers are inflating the water content to reduce the cost of disposing of material to landfill, and in particular that some are adding water when there is no recycling benefit.

6.6 Others felt that water discounting encourages the recovery of materials for reuse, and that a reduction in the discount could discourage operators undertaking the required washing resulting in organic material entering landfill.

6.7 Some therefore argued that the benefits of water discounting outweigh the arguments for its removal, and that abuse by a criminal element did not justify removing the scheme for legitimate operators.

6.8 A response from the waste water industry argued that there is no viable alternative to landfill for disposing of screenings.

Question 15: What changes could be made to ensure that water discounts accurately reflect the added water content of waste?

6.9 The majority of respondents saw a tightening of the current regulations and more robust enforcement as the way forward. Several comments suggested a more consistent and agreed approach to water discounting activity between HMRC and EA would reduce confusion and scope for error or evasion.

6.10 There were also comments around reviewing the application process to enter into a water discounting agreement, such as there should be more interaction between the waste producer who completes the application and the landfill site operator who is liable for the landfill tax, and HMRC throughout the process (in addition to the involvement at the point of renewal or amendment). Other suggestions included more data gathering at the initial stage and a stronger review process.

Chapter 7

Government Response and Next Steps

7.1 The government is grateful to all those who took the time to respond to this call for evidence and to stakeholders who continue to engage constructively on the Landfill Tax Review.

7.2 The government has carefully analysed the evidence presented and considered this in the context of structural changes to the waste sector, driven by factors including waste policy, technological advances and changing business and consumer behaviours. Following this analysis, the government believes that there is scope for much of the material currently eligible for the lower rate of landfill tax to move up the waste hierarchy and that the current rate of tax charged on this material does not provide sufficient incentive in many cases. The government recognises there are other factors beyond the cost of disposal which limit more sustainable management of resources and waste. As such, the government will continue engagement with stakeholders before confirming any further steps.

7.3 The government will review whether the current exemptions and discounts within the tax continue to support environmental objectives, alongside options to improve the administration of the tax.

7.4 The government recognises waste crime harms the environment, is a blight on local communities and undermines legitimate businesses operating in the waste management sector. The government is committed to tackling waste crime via robust multi-agency enforcement action, spearheaded by the Joint Unit on Waste Crime. The government will consider the impact of any potential changes to the tax on Landfill Tax fraud, evasion and waste crime and the interaction of potential changes with upcoming environmental regulatory reforms designed to improve compliance and tackle waste crime.

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