



**Environmental Taxes Team
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To those who responded to the informal
consultation

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Our ref

— Dear Sir/Madam

Landfill tax - draft further guidance on lower rating

I wrote to you on 11 November 2013 with an update on the position with the draft further guidance on lower rating. The government made a couple of announcements in today's Budget concerning the lower rate of landfill tax, which I would like to bring to your attention. I can also provide a further update on the draft guidance.

1.1 Rates of landfill tax

The government announced in today's Budget that legislation will be introduced in Finance Bill 2014 to increase the rates of landfill tax in line with inflation (based on RPI), rounded to the nearest 5 pence, for disposals of waste made, or treated as made, to landfill on or after 1 April 2015. Details of the two rates of tax are set out below.

In the June 2010 Budget, the government 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. Budget 2014 announced that the government intends to provide further long-term certainty about the future level of landfill tax rates once the consultation process on the testing regime (see paragraph 1.2) has concluded but, in the meantime, is committed to ensuring that the rates are not eroded in real terms.

Standard rate

The standard rate is currently £72 per tonne as a result of a change in Finance Act 2012. On 1 April 2014 it will increase to £80 per tonne as a result of a change in Finance Act 2013.

As a result of the Budget 2014 announcement, the standard rate will increase to £82.60 per tonne on 1 April 2015.

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Lower rate

The lower rate of tax, which applies to less-polluting wastes listed in the Landfill Tax (Qualifying Material) Order 2011, is currently £2.50 per tonne, having increased from £2 per tonne on 1 April 2008.

As a result of the Budget 2014 announcement, the lower rate will increase to £2.60 per tonne on 1 April 2015.

1.2 Consultation on testing regime

In response to representations made on the draft further guidance on lower rating, HMRC set up a government-industry working group with representatives from the Environmental Services Association (ESA), the United Resource Operators Consortium (UROC), the Environment Agency and HM Treasury to consider specific ESA proposals for an objective laboratory testing regime to supplement the guidance.

Following this industry engagement, the government announced in today's Budget that it will introduce a loss on ignition testing regime covering the residual waste from waste processing at waste transfer stations ('fines') by April 2015. Only fines below a 10% threshold would be considered eligible for the lower rate.

Full proposals will be set out in a consultation document later in 2014. This document will be developed with the government-industry working group over the next couple of months.

1.3 Update on the draft guidance

During discussions at the working group, it was agreed that the draft guidance circulated in September would not be published in final form until the discussions on the testing regime had concluded. A further meeting of the working group will be held before the end of May. In the meantime, the existing guidance remains extant.

I hope that you find this information helpful. If you have any questions on this matter, please contact our helpline on the above telephone number (Monday-Friday 10:00 to 15:00).

Yours faithfully

Claire Williams
Senior Policy Advisor