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Tax on single-use plastics – Is the stick approach going to work this time?

It was announced during the 2019 Budget Speech that Government will be investigating a new tax on single-use plastics. The objective being to reduce the use of these items and encourage recycling. But is another tax on plastics the answer?

During the 2019 Budget Speech, it was announced that Government will be investigating a tax on single-use plastics (plastic items which are used only once before they are thrown away or recycled). These items include straws, coffee stirrers, water bottles and most food packaging.

This investigation will be undertaken against the backdrop of National Treasury drafting an Environmental Fiscal Reform Policy Paper (due to be issued this year). The Paper will outline options to reform existing environmental taxes to broaden their coverage and will also consider the role that new taxes can play in addressing air pollution and climate change, promoting efficient water use, reducing waste and encouraging improvements in waste management.

No information was provided as to the quantum or effective date of the tax. However, the purpose of the tax was clear: to curb the use of the single-use items and encourage recycling. Given South Africa's heavy reliance on these items it was felt a tax was more realistic than an all-out ban.

According to the UN Environment Agency (an agency of the United Nations), more than 60 countries around the world have placed levies on single-use plastics or totally banned their use. Earlier this year, the European Parliament finalised a law banning a range of single-use plastic items, including cutlery, straws, cotton bud and balloon sticks by 2021. Canada has also undertaken to ban single-use plastics as early as 2021. In the UK, from April 2022, a tax will apply to businesses that produce or import plastic packaging which uses insufficient recycled content (less than 30% recycled content).

The announcement of this additional plastics tax in South Africa has not been well received, having been made against the backdrop of a struggling South African economy and amidst the promulgation of the Carbon Tax Act - the most substantial environmental tax imposed on corporate South Africa to date.

Concerns have been raised that a tax on single-use plastics which is not ring-fenced but pooled towards the general fiscus (similar to the plastic bag levy imposed in 2004) will do little to change behaviour and stop plastic pollution.

[The stick approach on plastic bags, for example, has done little to curb their use...](#)

The Department of Environment, Forestry and Fisheries acknowledged to Parliament that consumers have continued to use plastic bags, despite the plastic bag levy quadrupling between 2004 and 2018. According to the 2017/18 tax statistics published by the South African Revenue Service at the end of 2018, revenue brought in by the sale of plastic bags via the plastic bags levy increased by R9 million to R242 million for the year.

Corporate South Africa is not materially incentivised to pursue environmentally sustainable initiatives, and in the case of single-use plastics there is not necessarily an economical alternative to turn to. Rather than the stick approach, one wonders whether incentivisation is not a better route to encourage a move away from these items.

Taxpayers developing innovative and environmentally sound products and methodologies should be incentivised by Government, either through tax allowances or through government grants and/or funding.

It is hoped that extensive consultations with affected parties will be conducted prior to implementation on the proposed tax.

KPMG will keep you updated on developments in this space.

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