

Case Study: United Kingdom Landfill Tax

What is the UK Landfill Tax?

The UK Landfill Tax was introduced by the government in October 1996 to help reduce the amount of waste being land filled in the UK, to promote re-use and recycling, and provide funding for research into more sustainable ways of managing waste.

It is a weight-based tax that applies to commercial and industrial waste as well as to municipal waste. There are different tax rates for active waste and inert waste. The initial tax rate was derived from assessments of external costs, and based on consultations with industry, local authorities and environmental groups.

Presently, the Landfill Tax generates between 500 and 600 million GBP annually. Of the amount collected, 6.8% is available each year for spending on approved projects through the Landfill Tax Credit Scheme. The Landfill Tax Credit Scheme encourages and enables landfill operators to support a wide range of environmental projects by giving them a 90 per cent tax credit against their donations to Environmental Bodies. The Department for the Environment, Food and Rural Affairs (DEFRA) also distributes funding for sustainable waste management projects through the WIP Fund (Waste Implementation Programme).

How does the UK Landfill Tax work?

The tax is applied to all waste disposed at licensed landfill sites, although there are some exemptions. There are two tax rates: a lower rate of GBP 2 per tonne that applies to inert/inactive waste (typically construction waste) and a standard rate applicable to all other types of waste, originally GBP 7 per tonne, increasing by GBP 1 per tonne each year. From 2005/06, to help reach the targets of the Landfill Directive, the standard rate is set to rise by at least GBP 3 per tonne per year until it reaches GBP 35 per tonne. The rate in 2005 was GBP 19 per tonne.

To make the tax revenue neutral, its implementation was accompanied by reductions in employers' national insurance contributions. Some revenues have been earmarked for waste management research and investment projects in landfill areas.

The UK Treasury is developing mechanisms to earmark increasing tax revenues to help business address issues of waste management, in particular approaches to improve resource efficiency through waste minimisation.

Evaluating the UK Landfill Tax

The introduction of the waste tax has significantly improved overall quality and quantity of available data. Design changes and a simultaneous increase in tax rates were made because the landfill tax did not affect household waste amounts when first introduced, since it provided no incentives for change of behaviour and householders have a limited capacity to prevent waste in absence of broader institutional changes (e.g. provision of recycling infrastructure). With the introduction of a Landfill Tax Credit Scheme it is now foreseen that government will initiate information projects on waste reduction potentials at the household level.

Further information on the UK Landfill Tax

Defra, UK - Environmental Protection - Recycling and waste
<http://www.defra.gov.uk/ENVIRONMENT/WASTE/topics/index.htm>

