

Italy introduces proportional tax on plastic items

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Executive summary

Italy's Budget Law for fiscal year (FY) 2020 confirmed the introduction of a proportional tax on manufactured products in plastic for single use (also called "MACSI"), aimed at reducing the production and consumption of plastic.

Under the Budget Law, the amount of tax was fixed at 0.45 €/kg with a significant decrease in contrast to the amount initially included in the draft of the Budget Law.

Among others, products subject to tax include bottles, bags and food containers in polyethylene, tetra pack containers, packaging in expanded polystyrene, rolls of pluri-ball plastic and caps in plastic.

The new provisions exclude from the application of the tax not only compostable MACSI (according to UNI EN 13432: 2002 provisions) but also syringes, medical devices, and MACSI used to contain and protect medical preparations and plastic materials included in MACSI which come from recycling processes.

According to the Budget Law, plastic tax rules will be effective as from the first day of the second month subsequent to the publication date of the implementing provision to be issued by the Italian Customs authorities by May 2020 (therefore, the rules will be effective at the latest from 1 July 2020).

Taxpayers must now determine the correct criteria for calculating the amount of the tax and filing the correct reporting, on the products flow and on the consequences in terms of pricing policies.

Detailed discussion

Taxable persons

Persons subject to the new tax are:

- ▶ *Manufacturers*, for goods manufactured in Italy
- ▶ *Persons purchasing plastic goods for the purpose of their economic activity*, where the goods come from other European Union (EU) Member States
- ▶ *Any seller of plastic items*, where the goods coming from another EU Member State are purchased by a private consumer
- ▶ *The importer*, for manufactured goods coming from non-EU countries

Products subject to tax

The new tax is applicable to all single use plastic items (MACSI) composed totally or partially of organic polymers of synthetic origin which have (or are meant to have) the function of containment, protection, manipulation or delivery of goods or foodstuffs.

The scope of the tax also includes: i) items made of plastic materials, which allow closure (e.g., caps), the sale and the presentation (e.g., labels) of the so-called MACSI or of other goods composed of different materials; and ii) semi-finished products made through the use of plastic used for the production of "MACSI."

No tax is due on compostable MACSI (according to UNI EN 13432: 2002 provisions) on medical devices and on MACSI used to contain and protect medical preparations.

Therefore, by way of example, products subject to tax are *bottles, bags, food containers in polyethylene, tetra pack containers, packaging in expanded polystyrene, rolls of pluri-ball plastic, caps and similar items*. Conversely, no tax is due on cans and buckets for liquids characterized as for long-lasting use.

Taxable event

The relevant tax obligation arises in connection with the production or the import of plastic goods and the respective taxable event is identified as the moment of release into consumption of the single good in the Italian territory.

No obligation is provided by the Law with respect to:

- ▶ Export of plastic materials
- ▶ Sales of goods performed by the manufacturers for consumption in another EU Member State
- ▶ MACSI included in consignments falling in the regime of reliefs from customs duty provided by Council Regulation (EC) No 1186/2009
- ▶ Plastic materials included in MACSI which come from recycling processes

Amount of tax

Under the scope of application described above, the "plastic tax" is due at **0.45 € per each kilo** of plastic included in the single item.

Plastic tax return and payment of the tax

The amount of plastic tax due will be determined based on the filing of quarterly tax returns reporting all the elements necessary to determine the payable amount, to be submitted by the end of the month following the respective quarter.

The relevant deadline for each payment - to be carried out through the F24 payment forms, and also allowing the offset of the plastic tax due with other tax credits - the same provided for the filing of the quarterly tax returns.

For MACSI from non-EU countries the tax is assessed and collected by the Customs.

Penalties

Failure to pay the plastic tax is subject to the application of a penalty ranging from 2 to 10 times the unpaid tax, with a minimum of €500.

In the event of late payment, an administrative penalty will be levied, equal to 30% of the tax due, with a minimum of €250.

The late filing of the relevant quarterly returns is subject to a penalty ranging from €500 to 5,000.

Audit activities will be performed by the Italian Customs and the Tax Police.

Tax credit

In addition to the plastic tax, the provision establishes a tax credit to be granted to companies active in the plastic industry and producing MACSI for the purpose of containment, protection, manipulation or delivery of goods or foodstuffs.

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