

Incinerators at risk from hike in bottom ash tax, LARAC warns

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Recycling officers have hit out at government proposals to significantly increase the rate of Landfill Tax paid on bottom ash from incinerators - claiming that if the plans go ahead, they could jeopardise the UK's chances of meeting its landfill diversion targets.

In April, the government launched a consultation entitled 'Modernising Landfill Tax Legislation'. In it, the Treasury set out a number of plans, including proposals to increase the rate of tax paid for materials, such as bottom ash, from the lower rate for inert material (currently Â£2.50 a tonne) to the higher rate for active material (Â£40 a tonne) (see letsrecycle.com story).

The concerns are largely associated with the uncertainty over the ability of the markets to respond and recover incinerator bottom ash

Mark Parkinson, LARAC

The Treasury claimed the changes were necessary to bring those wastes which were classed as inert in line with the latest standards in European legislation.

However, the Local Authority Recycling Advisory Committee (LARAC) - which represents 397 local authorities across the UK - has written to HM Revenue & Customs claiming that the changes to the lower rate could create a huge financial burden on councils who currently run or are planning to develop energy from waste plants.

As bottom ash comprises around 25-30% of waste input into an incinerator, officers estimate that over two million tonnes of material could arise if all incinerators currently proposed are built - thereby creating a huge potential landfill tax bill for councils.

Recycled

While LARAC acknowledged that some material could be recycled into secondary aggregate, thereby avoiding the tax, it claimed that not enough research had been done to establish whether the market could cope. It also said that there was at present no "coherent and established" protocol for the recovery of the material.

And, officers warned that if no markets were found, councils could face having to pay up to Â£17 extra in gate fees for every tonne of waste inputted into a incinerator - thereby triggering a "costly review" of the business case and planning permissions for new facilities.

The body explained that the facilities were needed to help meet targets to divert biodegradable municipal waste under the Landfill Directive, and so warned that European targets might be missed - and called for the Treasury and Defra to weigh up the benefits of additional tax revenues against the prospect of European fines.

Summing up, LARAC policy team officer Mark Parkinson said: "Overall, LARAC has significant concerns that the consultation document does not satisfactorily address the environmental and financial implications of the proposals to change the eligibility of bottom ash from municipal waste incinerators/energy from waste facilities from the existing lower rates tax to the standard rate tax.

"The concerns are largely associated with the uncertainty over the ability of the markets to

respond and recover incinerator bottom ash as a secondary aggregate. In summary the position of LARAC is that the Impact Assessment which forms annex B of the consultation should be subject to a more comprehensive review between HM Treasury, Defra and the Local Government Association (LGA) waste networks," he added.

MBT

In the consultation response, LARAC also suggested that compost-like output (CLO) from Mechanical Biological Treatment (MBT) plants, which currently attracts the higher rate of Landfill Tax, be brought into the lower tax bracket, in cases where it had to be landfilled.

It said: "This material has been through a lengthy degradation process and can be considered as inactive and should, if landfilled, attract tax at the lower rate."

"If HMRC is truly concerned with the environment they could have proposed that this material be classed as inactive and thereby going some way to redressing the balance created by other tax-raising proposals contained in the consultation."

Related links

- [Modernising Landfill Tax consultation \(now closed\)](#)