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# An Independent Review of the Landfill Disposals Tax (Wales) Act 2017

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## Executive Summary

### 1. Research aims and methodology

- 1.1 The LfT Regulations 1996 were introduced in the UK with the primary purpose of reducing the disposal of waste to landfill and encouraging more sustainable waste management outcomes. The tax was devolved to Wales by way of the Landfill Disposals Tax (Wales) Act 2017 (LDT).
- 1.2 An independent review of the Landfill Disposals Tax (LDT) was commissioned to assess its effectiveness by considering any lessons learned since its implementation. The research covers the period September 2017 to March 2023.
- 1.3 This review aimed to answer two high-level research questions:
  - What impact have LDT rates had on behaviours in the waste sector (including unauthorised disposals)? (Impact)
  - To what extent has LDT legislation (i.e., other than tax rates) influenced behaviours? (Behaviours)
- 1.4 A range of methods were used including a desktop review and analysis and primary research with stakeholders which involved surveys and interviews.
- 1.5 Interviews were conducted with six stakeholder groups. These were: trade associations; environmental organisations; regulators, government and policy makers; commercial collectors / other infrastructure operators; landfill site operators; and waste producers. However, the primary research was impacted by low participation rate from stakeholders. By extending the interview timeframe and simplifying the survey, the study was able to engage 29 stakeholders in interviews and 44 respondents for the survey. The data collected was not fully representative.

- 1.6 The surveys were circulated to four target stakeholder groups including alternative waste treatment providers, commercial collectors, landfill site operators, and skip hire providers.

## 2. Key findings

### Impact of the LDT rates

- 2.1 **Impact on recycling and reuse:** Between 2018-2022, recycling rates increased by 2 percent whilst LDT rates did not increase in real terms. Though LDT may have contributed to this increased recycling, stakeholders believed that other driving factors (specifically political signals that landfill is an unsustainable option and statutory local authority (LA) recycling targets) had a greater impact.
- 2.2 **Uptake of alternative technologies:** Quantities of municipal and commercial and industrial (C&I) waste sent to landfill has declined over time. In parallel, the recycling, reuse, and composting rates for these waste streams has increased, as has incineration. The increase in use of alternative treatment technologies for these waste streams is attributable to factors beyond LDT. These factors include the lower cost of EfW (compared to landfill) and the wider policy context such as statutory LA recycling targets, the Waste Framework Directive, and zero waste to landfill requirements. Also, construction and demolition (C&D) waste sent to landfill has decreased, which indicates the increased use of alternative treatment options in the UK.
- 2.3 **Alignment with environmental impact of waste streams:** Data were inconclusive as to whether LDT rates are aligned with the environmental impact of different waste streams. This would require a more extensive study. Stakeholders suggested the need for multiple tax rates to be introduced to represent the environmental burden of different materials, but it is important to consider the potential impact of this on the existing LDT regulations.
- 2.4 **Impacts on specific waste streams:** Several waste streams were identified for which LDT rates are not acting as a deterrent to landfill treatment: gypsum; asbestos; incinerator bottom ash; contaminated soils; low activity inorganic compounds; plastics; textiles; wood.; and mixed treated waste. The main reasons for the continued use of landfill for these waste streams are either a lack of access to alternative treatment facilities and the cheaper cost of disposal relative to alternative treatment facilities. Stakeholders suggested amending the waste streams' tax rate or introducing a middle rate tax to address this.
- 2.5 **Waste tourism:** The evidence does not indicate that LDT is a material factor in influencing the cross-border flow of waste between Wales and other UK nations. The border is fluid, with waste travelling across the border for treatment in both directions due to proximity, convenience, and cost (gate fees and transport).
- 2.6 **Gate fees:** Data indicates that landfill gate fees are decreasing in real terms. The key factors influencing gate fees are market conditions and the base landfill site costs (operations, engineering and infrastructure). No differences in gate fees between UK nations were identified.

- 2.7 **Waste misdescription:** The gap between the lower and standard LDT rates has contributed to the intentional misclassification of waste. However, further evidence is needed to understand the extent of misclassification and its enforcement. To combat misclassification, stakeholders suggested reducing the gap in rates, introducing a middle tax rate, or assigning waste classification responsibility to the waste producer. The lower rate has also disincentivised the use of more expensive (relative to landfill) alternative and sustainable waste treatment options.
- 2.8 **Unauthorised disposals:** Whilst stakeholders viewed the unauthorised disposals rate (150% of the standard rate) as sensible, issues were raised with its potential effectiveness at deterring waste crime due to lack of visibility and enforcement. Stakeholders also opined that, so far, there was no observable impact of the 150% rate compared to England's and Scotland's rate.

### Impact of regulation

- 2.9 **Differences in UK legislation:** Despite some legislative differences between LDT and LfT/SLfT (namely water discounts, exemptions and reliefs, lower rate waste streams, unauthorised and taxable disposals), the legislations are broadly similar. Interviewed stakeholders generally had a lack of awareness of the differences in legislation and therefore struggled to comment on this in greater detail.
- 2.10 **Reliefs, discounts, and exemptions:** Data are inconclusive as to the impacts that reliefs, discounts, and exemptions are having on taxpayer behaviour, as well as the extent to which they are appropriate and necessary.
- 2.11 **Legislation ambiguities and gaps:** No ambiguities within the legislation were identified as part of this review. However, this may reflect a lack of awareness of the differences in legislation and is not to say that ambiguities do not exist.
- 2.12 **Levels of tax risk:** For some stakeholders, legislative differences in Wales pertaining to water discounts have had a negative impact on tax risk due to increasing operating costs and closing part of the market. On the other hand, another stakeholder noted that water discounts were open to abuse where some operators had been claiming relief for water without carrying out any qualifying activities to prove this.
- 2.13 **Viability of landfill:** Data are inconclusive as to the impact of LDT legislation on landfill viability. While stakeholders pointed to the financial and administrative burden arising from LDT, there was no evidence to suggest this had directly impacted on the viability of landfill sites. The number of landfill sites have stayed reasonably stable while landfilled tonnages have declined between 2018-2022.
- 2.14 **Industry behaviour and innovation:** Primarily through acting as a financial driver, LDT legislation has influenced wider industry behaviour and innovation, promoting alternative and sustainable waste management practices. However, other environmental policy levers have influenced behaviour and innovation (arguably to a greater extent), namely decarbonisation targets, statutory LA recycling targets and corporate social responsibility.

## Broader findings

- 2.15 **Lessons learned from UK nations:** No specific lessons have been identified from other UK countries which could inform ways to further behaviour change in relation to landfill taxes were identified as part of the review. Existing means of collaboration and knowledge sharing were identified, including tri-nation calls.
- 2.16 **Alignment with wider environmental policy:** LDT is well aligned with other Welsh Government environmental policies and priorities. LDT exists as part of a wider policy landscape that includes statutory LA recycling targets and decarbonisation and net zero ambitions that all aim to divert waste from landfill. Going forward, the introduction of extended producer responsibility and a deposit return scheme will further complement LDT.
- 2.17 **Landfill Disposals Tax Community Scheme:** The support of communities through Landfill Disposals Tax Community Scheme (LDTCS) is a positive benefit of LDT. Whilst LDTCS does not explicitly aim to influence the waste management sector, it was found to promote bottom-up actions through projects supported by LDT funds. Such projects support both the circular economy and wider environmental outcomes.

## 3. Conclusions/Recommendations

- 3.1 Isolating the effectiveness of LDT was challenging as it sits within a broader policy landscape and its direct impacts are difficult to disentangle from other interventions. There were difficulties in engaging appropriate stakeholders and also a lack of available data for this study.
- 3.2 The findings show that LDT is well aligned with other Welsh Government environmental policies and priorities and has made a positive contribution towards waste management priorities, but other policy interventions and external factors have played a greater role in encouraging positive impact for reuse, recycling, and uptake of alternative technologies.
- 3.3 Stakeholders suggested improvements to LDT included introducing multiple tax rates, changing rates based on the desired treatment of materials, reducing administrative burdens on landfill operators and assigning more resources like tax revenue to improve the regulation of LDT.

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Author(s): Joe Hudson, Alexa Cancio, Sam Taylor, Paula Orr, Leyla Lugal, Petra Bistričić, Rhiannon Lee

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

For further information please contact:

Local Government and Public Services Research  
Social Research and Information Division  
Knowledge and Analytical Services  
Welsh Government, Cathays Park  
Cardiff, CF10 3NQ

Email: [research.publicservices@gov.wales](mailto:research.publicservices@gov.wales)

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