

Tax briefing note

Landfill tax

June 2025

What is it?

Landfill tax applies to waste disposed at landfills in England and Northern Ireland. Very similar measures apply in Scotland (Scottish landfill tax) and Wales (landfill disposal tax). It was first announced in the 1994 autumn budget and introduced in October 1996. The standard rate from 1 April 2025 is £126.15 per tonne and the lower rate is £4.05 per tonne and they rise with the RPI measure of inflation.¹ The lower rate is only applicable to waste disposed at authorised landfill sites and applies to inactive waste such as naturally occurring building materials like gypsum (but not plasterboard), silica (but not man-made fibres) or glass and bricks (but not glass fibre). The objective is to reduce the negative side effects of landfill use in terms of contamination of ground water, dust creation, noise and emissions of gases including methane.

What's the problem with it?

Landfill tax creates new social and environmental problems, is arbitrary and excessive and has led to the creation of an intrusive system of compliance and monitoring.

By making it more expensive to send waste to landfill, the tax incentivises people to be more sparing in the use of materials in the first place and then to reuse and recycle more. But it also incentivises people to dispose of waste in other, more harmful ways such as fly-tipping and incineration. The latter is typically used to generate electricity but is nonetheless a source of air pollution and unpleasant smells for those living downwind of the plants. In 2023-24 there were 1.2 million incidents of fly-tipping in England, up from 860,000 in 2013-14.² That's more than the estimated 800,000 streets in England.³

At £126.15 per tonne, the tax dwarfs the costs of running a landfill site. In 2023-24 the median non-hazardous 'gate fee' (before tax) was just £24 per tonne within a range of £6 to £57.⁴ The tax in 2023-24 was £102.10 per tonne but even at that lower rate before the April 2025 hike it still represented 81 per cent of the median cost of disposing of waste in landfills and 94 per cent of the lowest charging sites.

The Mirrlees review noted in 2011 that the original rate (£7 per tonne from October 1996) was "a rate set at something close to the best estimates" justified by research but that the then current rate of £40 per tonne and proposal to increase it to £80 was "several times greater than any reasonable estimate of the external cost associated with landfill" and "hard to justify".⁵ While the landfill tax rate is hard to justify on the grounds of external costs it does serve the function of making incinerators artificially viable. The median gate fee per tonne of non-bulky waste at energy from waste facilities was £112 without persistent organic pollutants (or £116 with) in 2023-24,⁶ meaning they were just below the £126.10 combined total of the median landfill gate fee plus landfill tax that year.

No longer being a member of the European Union means Britain is no longer bound by the 1999 European landfill directive, so there is no longer an external reason why British policy could not be tailored to match the

¹ HM Revenue and Customs, Landfill Tax: increase in rates, 30 October 2024, www.gov.uk/government/publications/landfill-tax-rates-for-2025-to-2026/landfill-tax-increase-in-rates (accessed 24 April 2025).

² Department for Environment, Food & Rural Affairs, Fly-tipping statistics for England: Fly-tipping incidents and actions taken national level data 2007/08 to 2023/24, 26 February 2025, www.gov.uk/government/statistics/fly-tipping-in-england (accessed 12 May 2025).

³ Winn, C., Great British Street Names, Quardrille, December 2021, p.5.

⁴ WRAP, Gate fees report 2023/24 – Comparing the costs of alternative recycling and waste treatment options, May 2024, p. 57.

⁵ Mirrlees, J. et al., Tax by design, Institute for Fiscal Studies, September 2011, p.242.

⁶ WRAP, Gate fees report 2023/24 – Comparing the costs of alternative recycling and waste treatment options, May 2024, p.47.

actual external costs of landfill as was the case between its introduction in 1996 and the directive coming into force in 1999.

The excessive rate of the landfill tax has led to a relatively high tax gap, the second highest across all taxes according to Environmental Services Association and HMRC evidence to the public accounts committee.⁷ And this in turn has led to new powers for the Environment Agency, a mandatory electronic tracking-of-waste system,⁸ a national database of registered brokers and a duty of care upon householders to check that a waste disposer is registered, on pain of a fixed penalty notice of £300 in Wales or £200 in England, subject to variation by a local authority. A parliamentary question revealed that in May 2021 there were “approximately 48 HMRC investigators working on landfill tax compliance”,⁹ in addition to the staff in local authorities, the Environment Agency and landfill site operators themselves.

What should be done?

Reduce the standard rate back to its 1996 level, adjusted for inflation, which would be approximately £14 for 2025-26. The £4.05 reduced rate has remained at its inflation-adjusted level and does not need to be altered.

⁷ Public accounts committee, Government actions to combat waste crime, 8 September 2022, p. 14.

⁸ *Ibid*, p. 3.

⁹ Norman, J., Landfill tax: Fraud – Question for Treasury, UK Parliament, 20 May 2021, questions-statements.parliament.uk/written-questions/detail/2021-05-20/4547 (accessed 12 May 2025).