Aggregates levy: CIOT response to the call for evidence

Indirect Tax

30 July 2021

The aggregates levy is a non-deductible tax that is charged on qualifying aggregate, which is rock, sand and gravel.

The aggregates levy is an environmental tax, introduced in 2002, to address the environmental impact of quarrying, reduce the demand for aggregate, and encourage the use of alternative materials. The levy is charged on commercially exploited fresh aggregate that can be dug from the ground, dredged from the sea in UK waters, or imported. The levy mainly impacts businesses in the quarrying, mining, digging, dredging and construction sectors, though there are reliefs available in certain circumstances. The levy rate has been £2.00 per tonne since 2009. For further details on aggregates levy, see GOV.UK (tinyurl.com/4b9ua5bu).

Call for evidence

HMRC published its call for evidence: Aggregates Levy: Proposals on the treatment of aggregate removed during construction works (see tinyurl.com/h3rxy6wn) in March, which sought views on changing the treatment for ‘borrow pit’ aggregate used in construction. Borrow pits are temporary sites used to extract aggregate for a specific purpose and then the sites are restored when no longer needed. HMRC also sought views on whether there should be a general exemption for aggregate arising unavoidably when laying underground utility pipes.

CIOT views

HMRC’s proposed change for borrow pits looked to clarify the taxable status of borrow pit aggregate on construction sites.

The CIOT highlighted in its submission (www.tax.org.uk/ref780) an example where the position was still not clear. Where aggregate is discovered on the site of a larger

development during the works on that site, and used as part of the site development rather than moving off-site, it appeared that this could be taxable because its use is not connected with the ‘winning of aggregate’, rather it being ‘discovered’. The CIOT would like the taxable status made clear for taxpayers.

For the proposed new exemption in respect of laying underground utility pipes, the CIOT broadly supported the measure and noted that it would bring utility works into parity with the treatment of highways and railways. We also considered that determining the extent of aggregate which is removed from the pipeline works and is eligible for exemption should be, in principle, no more difficult than for other exemptions.