Scottish aggregates levy

General Features



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The CIOT has responded to the Scottish government's consultation on the introduction of a devolved aggregates levy to replace the existing UK-wide levy in Scotland.

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Since 2002, a UK-wide aggregates levy has been charged for the commercial exploitation of aggregates (in essence, crushed rock, sand and gravel); the rate is currently £2 per tonne. The Scotland Act 2016 gives the Scottish Parliament the power to introduce a devolved replacement for the levy, on aggregates obtained in Scotland. An initial consultation was launched in September 2022, asking stakeholders and interested parties to add their thoughts on what a devolved levy should look like, the definitions involved, exemptions/reliefs, the rates, registration, what purpose it should achieve and how it should be enforced. It was proposed to devolve the aggregates levy because, like the existing devolved taxes in Scotland (land and buildings transactions tax and the Scottish landfill tax) the nature and situs of the taxed objects are geographically confined to Scotland.

However, a new devolved levy also has the potential to affect taxpayers in the rest of the UK because aggregates can be transported over the border between Scotland and the rest of the UK, as well as outside the UK. What was proposed therefore was that, in keeping with the UK tax, the levy would be paid in the country where the aggregates ended up, so that the Scottish government would tax imported aggregates as well as domestically used aggregates, but would exempt exports of aggregates. The CIOT made clear in our response for the need to ascertain where the tax point is on aggregates being imported and exported to ensure there is no double taxation with the UK levy or relevant foreign taxes (and noted further that Scotland imported a small tonnage of aggregates but exported some 40% of the rock quarried there, so there was a potential for a loss of revenue). We noted also that many of the larger aggregate businesses operate quarries throughout the UK, so registering and reporting for both the UK and a Scottish levy will be necessary. Thought should therefore be given by the Scottish government as to the interaction between the two levies.

The intention behind a devolved levy will be driven largely by Scottish government policy and what they hope to achieve through this devolved tax. Whilst the CIOT cannot comment on this, we pointed out that the preferred option would be for the new Scottish levy to mirror the existing UK one as closely as possible, including the rate of tax. Those who must pay the current levy are well versed in how it works, the exemptions and reliefs, and the administration of it – a wholly different levy in Scotland could be an unwelcome upheaval. A more expensive levy in Scotland could also cause distortions in the UK market and even lead to greater incidents of illicit activity (for example, smuggling). The Scottish landfill tax has different rates for ‘active’ and ‘inert’ waste – we suggested a similar arrangement for the aggregates levy if the government were not minded to keep to a simple uniform rate at or near the existing one. We suggested too that, if the government did wish to diverge from the existing levy, more precise definitions of chargeable aggregate be provided within the legislation, rather than relying on exemptions to remove specific aggregates from the charge.

The full CIOT response can be found here: www.tax.org.uk/ref1025. It is expected that a further consultation with draft legislation will be released shortly.

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