Scottish Aggregates Tax Bill Advisory Group – Meeting 5
Thursday 12 October 2023, 1400-1530 hrs
MS Teams

Attendees

- Grahame Barn - Civil Engineering Contractors Association Scotland
- David Balmer - Resource Management Association Scotland
- Alan Doak - Mineral Products Association Scotland
- Alex Doig - Scottish Government (Chair)
- Jocelyne Fleming - Chartered Institute of Building
- Angus Hamilton - Scottish Environmental Services Association
- Mike Phillips, British Aggregates Association
- Mark Pudner - British Glass
- Kat Quane - Transport Scotland
- Chantal Robertson – Thomson Quarries
- Lucas Scally - Zero Waste Scotland
- Christopher Thorpe - Chartered Institute of Taxation
- Ed Turner - Scottish Environment Protection Agency

Apologies

- Alan MacKenzie - Mineral Products Association Scotland
- Justine Riccomini - Institute of Chartered Accountants of Scotland
- Jonathan Sharma - Convention of Scottish Local Authorities
- Jo Mankelow - British Geological Survey
- Lauren Darby – British Ceramic Confederation
- Kathy Wormald – Scottish Environment Link

Secretariat and Official Support

- Ewan Cameron-Nielsen – Scottish Government
- James Lindsay – Revenue Scotland
- John McVey – Revenue Scotland
- Robert Souter – Scottish Government
- Jonathan Waite – Scottish Government

Introduction and Welcome

Alex Doig (Deputy Director, Tax and Revenues Directorate, Scottish Government – Chair) welcomed the group and thanked everyone for attending.

The Chair summarised the purpose of the meeting and introduced the first agenda item, a policy update on the Scottish Aggregates Tax Bill.

Policy update

Jonathan Waite (Scottish Government) provided an update on policy development since the last meeting of the advisory group.

There has been ongoing engagement with Revenue Scotland, UK Government and individual stakeholders (including via quarry and other site visits) to inform the development of the Bill. The Scottish Government's understanding of the advisory group's cumulative views could be summarised around three headings:

- A strong ask for the structure of the tax and key mechanisms capturing taxable behaviour to replicate the UK Aggregates Levy.
- No clear case for alternative approaches to those core aspects of the tax.
- Scope for a distinct approach to Aggregates Tax within that framework and through tax administration and an active approach to tax compliance.

The Scottish Government's Programme for Government announced in September that an Aggregates Tax Bill will be introduced in the 2023-24 parliamentary year. Although the Scottish Government cannot pre-announce the Bill's content or date of introduction in advance of the Bill being shared with the Scottish Parliament, there will be ongoing opportunities for stakeholder engagement when the draft legislation is published, including via the Parliament's evidence gathering process, and consultative processes on secondary legislation.

Advisory group overall recap

Robert Souter (Scottish Government) provided a detailed recap of the discussion from advisory group meetings 1-4:

- **Scope of the tax** – This covered the key terms that define the scope of the tax, including aggregate, commercial exploitation and taxable aggregate. There had been clear feedback both from the advisory group and other stakeholders, in particular from aggregates producers, that the relevant UKAL definitions work, are well understood by taxpayers and would be consistent with proposed SG objectives for the tax.

- **Exemptions and Credits** – There was a consensus view both from discussion at the advisory group and other stakeholders in favour of retaining the tax credits and exemptions provided for in UKAL. SG officials had helpful discussions with the advisory group and specific stakeholders to understand the logic and purposes of the various exemptions and credits.

- **International Imports/Exports** – There was near universal consensus that aggregates imported to Scotland from outside the UK should be subject to SAT on the same basis as domestically produced aggregates. Similarly, there was a consensus view from the advisory group in favour of retaining the tax credit for aggregate exported outside the UK.

- **Intra UK Movements** – There was a consensus view that aggregates should only be subject to one of SAT or UK Aggregates Levy. Potential ways of achieving this had been discussed with the advisory group and other stakeholders, taking account of the relevant Scotland Act 2016 provisions. After thorough discussion there was a consensus in favour of what is described as a "source county relief" approach, whereby any aggregate moved to the rest of the UK would receive a SAT credit, with the UK Levy then accounted for as appropriate. For aggregate moved to Scotland from the rest of the UK, the same approach would apply. However, there was also a view that it would be less disruptive to industry if aggregates producers were always the ones who account for SAT, regardless of whether they are based in Scotland or the rest of the UK.

- **Rates and Bands** – There had been limited discussion in the group of this issue, reflecting the fact that tax rates and bands will set via secondary legislation at a later point, rather than included in the Bill. But based on limited discussion, there had been a general view in favour of a single rate structure for the tax.

- **Sustainability Fund** – There were mixed views on the creation of a sustainability fund directly linked to the SAT. Some members had noted that there would be benefits to a fund that supports community and environmental betterment, along the lines of Scottish Landfill Community Fund, directly showcasing the benefit to the community of local quarries. However, it had also been acknowledged that the value of any fund would be relatively small and that there were a number of difficult administrative issues, including related to cost. There are other Scottish Government funds operating in the circular economy space and a more holistic approach may be more desirable.

- **Administration** – There was a clear view that there are opportunities for a different approach to SAT administration. Industry stakeholders consistently raised significant concerns about a level playing field, with impacts on competition. It was also highlighted that administration of SAT would benefit from:

    - A more proactive approach on the part of the tax authority.
    - An expanded and more accessible register of taxpayers so that individuals and businesses can ensure they are buying from a registered supplier.
    - Measures to help those responsible for the purchase of aggregate ensure that the tax has been properly accounted on this.

Discussion

Members asked if a decision had been taken on the inclusion of a sustainability fund. As above, we had noted mixed stakeholder feedback on this issue and the Scottish Government's final position would be set out in the Bill.

Some members reaffirmed their desire to see a close alignment between SAT and the UK Levy, which was noted.

In response to a question on the expected cost to business of the SAT, the relevant members noted that it will be difficult to quantify any additional costs until the Bill is published. This was acknowledged, but again confirmation of Bill provisions could not be shared prior to the Bill's introduction into Parliament, for good reasons.

Members asked about the role of the advisory group following Bill publication. Both the Scottish Government and Revenue Scotland confirmed that the group would continue to have a crucial role as the overall process progress. As part of that, Revenue Scotland advised that there will be extensive engagement with stakeholders when considering the administrative approach to SAT. Some members noted a desire for SAT to provide closer scrutiny of borrow pits and address non-compliance.

Scottish Government officials sought further views on the treatment of aggregate moved to Scotland from the rest of the UK, and in particular on whether the customers in such transactions should have to account for SAT or whether it would be preferable for suppliers to do so, even if based in the rest of the UK. The latter would mean that rUK aggregate producers would account for the tax as they would in a purely Scottish located transaction. There was broad consensus that bringing a small number of additional suppliers, based in the rest of the UK, into the tax regime was preferential to an approach where customers were required to register for and pay SAT. It was noted this would prevent the added complexity of introducing an entirely new group of taxpayers into the tax regime and thus minimise tax compliance risks.

Publication of advisory group minutes

Jonathan Waite (Scottish Government) highlighted the Scottish Government's intention to publish all advisory group minutes. These would be re-circulated to the group prior to publication. Members agreed to this, with some stating that they would also wish to have advance notice of any publication date.

Closing Remarks

The Chair summarised the range of issues discussed and brought the meeting to a close, with thanks again to all members for their engagement and participation to date, which had been much appreciated.