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Aggregates Tax and Devolved Taxes Administration (Scotland) Bill

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The Aggregates Tax and Devolved Taxes Administration (Scotland) Bill was introduced in the Scottish Parliament on 14 November 2023. This briefing provides background to the Bill and summarises some of the key proposals within it.



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Summary

The [Aggregates Tax and Devolved Taxes Administration \(Scotland\) Bill](#) (the Bill) was introduced by the Deputy First Minister and Cabinet Secretary for Finance on 14 November 2023.

The Bill has been introduced as a consequence of the measures enacted in the Scotland Act 2016 which allowed the Scottish Parliament to legislate for a tax to replace the UK Aggregates Levy (UKAL) in Scotland. The Bill makes provision for a Scottish Aggregates Tax (SAT) - a tax on the commercial exploitation of primary aggregates. It is the intention of the Scottish Government that, if the Bill is enacted and the necessary secondary legislation approved by Parliament, SAT will apply from 1 April 2026.

For SAT to be introduced on that day, the provisions of Scotland Act 2016 which disapply the existing UKAL regime will also need to be brought into force by regulations laid by HM Treasury in the UK Parliament.

Under the terms of the [Fiscal Framework agreement between the Scottish and UK Governments](#) the Scottish block grant will then be reduced to reflect the income foregone by the UK Government by devolving competence over this tax to the Scottish Parliament. Receipts raised by the SAT will go into the Scottish Consolidated Fund. The Policy Memorandum states that:

“ The specific arrangements for this are under discussion with His Majesty’s Treasury, but in general terms the net effect on the Scottish budget position will be determined by the difference between the block grant adjustment and tax receipts from SAT less the amount of the reduction to Scotland’s block grant.”

The tax is to be collected and administered by [Revenue Scotland](#), the tax authority responsible for the collection and management of Scotland's devolved taxes - currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT).

Part 2 of the Bill proposes legislative amendments to the [Revenue Scotland and Tax Powers Act 2014](#) (RSTPA 2014) which the Policy Memorandum claims are intended to support the efficient and effective collection of all devolved taxes by Revenue Scotland. These amendments would relate to LBTT and SLfT in addition to SAT. In the call for views on the Bill, [issued by the Finance and Public Administration Committee](#), there was disappointment expressed that the proposals made in Part 2 of the Bill had not been consulted upon.

There was general support in the Committee consultation responses, however, (and in responses to the Scottish Government consultation) for the SAT to broadly align with the UKAL regime. A summary of the responses to the Finance and Public Administration Committee consultation is provided below in the [section on Finance and Public Administration Committee Consultation](#).

Policy background - what are aggregates and what is the current aggregates tax regime?

There is no specific relevant geological definition of "aggregate", but generally aggregates are considered to be raw materials produced from natural sources and extracted from pits, quarries, and the sea, including things like gravel, crushed stone and sand.

Commercial exploitation of primary aggregates (mainly crushed rock, gravel and sand) has been liable to UKAL since it was introduced in April 2002 - this year, UKAL is charged at £2.00 per tonne, and is expected to increase to £2.03 per tonne from April 2024. Currently, commercial exploitation is triggered in four separate circumstances: when the aggregate is removed from its originating site; part of a supply agreement; used for construction purposes; or mixed with another substance other than water.

The Policy Memorandum notes that aggregates make an important contribution to Scotland's economy, providing materials for housing, construction, road-building and other uses and supporting employment, including in rural and remote parts of the country. Indeed, aggregates are extracted and sourced across Scotland with operating quarries or wharves "found in nearly all 32 local authority areas. Crushed rock is produced predominantly in the north of Scotland and along the west coast, whereas sand and gravel are likely to be extracted in southerly areas."

Scottish Government policy aims

The Bill proposes that the definitions of commercial exploitation used in the Bill for the SAT will align with those provided for in the UKAL.

The Policy Memorandum states that the proposed SAT retains the fundamental structure of UKAL, which:

“ offers a degree of continuity for taxpayers, retaining core elements of UKAL that have been subject to litigation and scrutiny....while also ensuring that the devolved tax can evolve over time to support Scottish Government circular economy objectives.”

It highlights general support for the continuity of the existing definitions of aggregate, taxable aggregate, commercial exploitation and exempt aggregate, given:

- “the definitions had developed over a long period of time with extensive engagement between the UK Government and stakeholders,
- they are widely understood by the industry, and
- they had been considered and validated through litigation, including by the European courts”.

The Bill provides that SAT can be charged on taxable aggregate at any point of commercial exploitation, while aggregate imported to Scotland from outside the UK will be taxable at the first point of commercial exploitation to occur after the aggregate arrives in Scotland, an approach consistent with current arrangements for the UKAL.

In relation to cross-border movement of aggregates within the UK, “the UK Government have stated that movements of aggregate from Scotland would become subject to UKAL on the same basis as imports”, while “the Scottish Government intends that aggregate moved to Scotland from the rest of the UK should be subject to SAT”. The policy memorandum explains that “commercial exploitation of aggregate moved to Scotland from the rest of the UK will be taken to occur in Scotland. As a result, some aggregate producers based in the rest of the UK may have to register for SAT, but only where they are responsible for commercially exploiting aggregate moving to Scotland”. This cross-border element will potentially create costs for businesses, which is discussed further in the section on the [Financial Memorandum](#) and “[Areas for Parliamentary Scrutiny](#)”.

The Policy Memorandum states that the design and delivery of the SAT is built on the foundation of the Scottish Government’s Framework for Tax 2021 and its introduction will support the Scottish Government’s ambitions for a circular economy, through—

- encouraging the minimum necessary exploitation of primary aggregates
- maximising the use of secondary and recycled aggregates, and
- incentivising innovation and development of alternative materials.

The Policy Memorandum notes that, in terms of the elements of the Bill relating to SAT, alternative approaches were considered. These were:

1. Do not replace UKAL once it is disapplied in Scotland;
2. Introduce a replacement tax that retains the fundamental structure of UKAL while being tailored to Scotland’s needs; or
3. Provide for a replacement tax that takes a fundamentally different approach to the existing UKAL, redefining key concepts and introducing a different system for the administration of SAT.

Presumably, a 4th option was to not disapply UKAL in Scotland and retain the existing regime, but that is not mentioned in the Bill documentation.

The Bill, as drafted opts for option 2 of the 3 options presented i.e. Introducing a replacement that broadly mirrors UKAL. The Policy Memorandum notes that a [Business and Regulatory Impact Assessment \(BRIA\) was published on 15 November](#), and recommended the adoption of option 2 “on the basis that it will reduce the uncertainty for current and future taxpayers and their customers and make the transition between taxes easier for the businesses affected.”

The Policy Memorandum also notes that, in relation to Part 2 of the Bill, which introduces legislative amendments for all devolved taxes, alternatives considered were:

1. Not to include any of these elements in the Bill ensuring that it focused solely on the legislation required to deliver SAT; or
2. Only include the elements which do not make provision for enabling powers and consult on the detail of these prior to bringing forward more detailed legislation.

The Bill opts for option 2, noting “the relative infrequency with which primary legislation on tax matters is brought forward for consideration by the Scottish Parliament” and “the views

of Revenue Scotland on the benefits that the provisions could bring".

Scottish Government consultation

The Scottish Government announced its intention to introduce a Scottish Aggregates Tax in 2021. Devolution of the tax had previously been delayed due to a court case against UKAL on state aid grounds which resulted in the European Commission finding the UKAL was lawful, apart for one exemption for shale (which was subsequently removed in 2015). The [UK Government then reviewed the levy](#). Prior to the commencement of the UKAL review, the [Scottish Government commissioned its own](#) research into potential options for a SAT, with conclusions published in August 2020.

The [Scottish Government's consultation on proposals for SAT](#) was held between 26 September and 5 December 2022, and received 24 responses. The consultation covered the context for a devolved Aggregates Tax, the scope of the tax, exemptions and reliefs, tax rates, a sustainability fund, and several tax administration and compliance questions. The Policy Memorandum notes that this was accompanied by a programme of stakeholder engagement, including meetings with aggregates industry representatives, the Convention of Scottish Local Authorities and the Scottish Environment Protection Agency and quarry site visits.

The analysis report on the consultation responses was published by the Scottish Government on 15 November 2023. The report notes that respondents, particularly those representing industry interests, expressed strong support for the tax to align closely with UKAL and retain current definitions, exemptions and reliefs. Some respondents, however, argued that the Scottish Government should introduce a distinctive tax with a broader scope, or could express the same scope more clearly in legislation.

While the report notes broad agreement on the circular economy goals associated with the introduction of the SAT, the consultation responses highlight "complexities associated with creating two tax jurisdictions where there was previously one, including the treatment of cross-border movements of aggregate and the importance of avoiding double taxation". This will likely be a [key area of focus for Parliamentary scrutiny](#).

Following the consultation, an expert advisory group was established in January 2023. The group has met on five occasions and discussed the aggregates sector in Scotland and the process to develop a SAT Bill, potential definitions of "aggregate" and "commercial exploitation", exemptions and reliefs, the tax treatments of imports and exports of aggregates, rate setting, the potential to establish a sustainability fund linked to SAT and administration of the tax by Revenue Scotland.

Another [key area for parliamentary scrutiny](#) may come from the point made in the Policy Memorandum that Part 2 of the Bill proposals "reflect detailed discussions with Revenue Scotland". However, it also notes that "no formal consultation with other tax stakeholders has been undertaken on these prior to their inclusion in the Bill". The Scottish Government does commit to future consultation on the provisions relating to automation and communications from Revenue Scotland to taxpayers prior to bringing forward regulations.

The Policy Memorandum notes that the provisions in the Bill are "not expected [to] have any impact on equal opportunities or fairness", do not directly raise any relevant human rights concerns and are not expected to have an adverse impact on island communities.

Full Equalities Impact Assessment, Fairer Scotland Duty Assessment, Island Communities Impact Assessment and Strategic Environmental Assessment were therefore not deemed necessary for this Bill.

As mentioned above, there was a [Business Regulatory Impact Assessment \(BRIA\)](#) which recommended the introduction of a replacement tax that retains the fundamental structure of UKAL while being tailored to Scotland's needs.

The Policy Memorandum notes that between the formal consultation, stakeholder engagement programme and expert advisory group, the "Scottish Government heard views on the proposals for the SAT from a wide variety of individual and organisational perspectives."

" Whilst there was strong support for a close alignment between SAT and UKAL, challenges and opportunities were also highlighted, and suggestions made. Across all the activities, the top five issues that emerged were:"

- Support from a number of respondents, particularly those representing industry interests, for the tax to align closely with UKAL, i.e. retaining current definitions, exemptions and reliefs."
- An alternative view from some respondents that the Scottish Government should introduce a distinctive tax with a broader scope or could express the same scope more clearly in legislation, though detailed alternative proposals were not put forward."
- Broad agreement that the tax has the potential to support circular economy goals, as part of a wider package of measures to encourage the increased availability of high-quality alternatives to primary aggregate."
- A view that the introduction of a devolved tax creates an opportunity to address concerns about untaxed primary aggregate production, including through the development of a Scottish aggregates tax register."
- Recognition of the complexities associated with creating two tax jurisdictions where there was previously one, including in terms of the treatment of crossborder movements of aggregate and the importance of avoiding double taxation."
- The importance of continuing dialogue with key stakeholders on tax policy development, in line with commitments set out in our Framework for Tax."

The next section considers various elements of the Bill. After an initial summary of the provisions of the Bill, more detail and discussion is provided in certain areas.

Bill Provisions

Part 1 of the Bill establishes the new SAT and contains the following provisions:

- Chapter 1 – The tax: defines the tax and gives responsibility to Revenue Scotland to administer and collect the tax;
- Chapter 2 – Key concepts: defines the fundamental concepts underlying the tax, including:
 - a) which aggregate is taxable,
 - b) which aggregate is exempt from the tax,
 - c) what is commercial exploitation, and
 - d) who is liable to pay the tax;
- Chapter 3 – Calculation of tax: sets out how the amount of tax is to be calculated and gives a power to the Scottish Ministers to set the rate of tax;
- Chapter 4 – Administration: contains various provisions on tax administration, including regarding registration, tax returns, and special cases;
- Chapter 5 – Penalties: imposes penalties in relation to the tax, for instance for failure to make a return, failure to pay tax, and failure to register for tax;
- Chapter 6 – Reviews and appeals: makes provisions about reviews and appeals of decisions by Revenue Scotland in relation to the tax; and
- Chapter 7 – Interpretation: defines the key terms used in Part 1.

Part 2 of the Bill contains six substantive provisions, and one minor correction, making separate amendments to the Revenue Scotland and Tax Powers Act 2014 (RSTPA 2014) that would also apply to other devolved taxes, as follows:

- a power for Revenue Scotland to refuse a repayment claim for tax where the claimant has failed to pay other devolved tax due;
- a provision clarifying the penalty in the 2014 Act for failure to pay LBTT;
- a provision clarifying the legal continuity of acts by different designated officers of Revenue Scotland, and clarifying how summary warrants for the recovery of unpaid amounts of tax are to be executed;
- a power for the Scottish Ministers to make regulations on the use of communications from Revenue Scotland to taxpayers, including provision about the use of electronic communications;
- a power for the Scottish Ministers to make regulations on the use of automation by Revenue Scotland;
- a power for Revenue Scotland to off-set a taxpayer debit against a credit;

- a minor amendment to section 94, substituting the word “section” for “paragraph”.

The Policy Memorandum explains that the amendments in Part 2 will relate to Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT) in addition to SAT and are intended “to support the efficient and effective collection of all devolved taxes by Revenue Scotland”.

The Policy Memorandum further notes that the setting of the SAT rate, as well as detailed provisions for the administration of the tax, including the claiming of tax credits, are to be set out in subordinate legislation.

Chapter 2 - key concepts

This chapter of the Bill sets out legal definitions of aggregate, what aggregates are taxable, and what is classed as commercial exploitation of aggregate.

There is no specific relevant geological definition of "aggregate". For the purposes of the Bill, aggregates are defined as being any rock, gravel or sand, together with whatever substances are for the time being incorporated in the rock, gravel or sand or naturally occur mixed with it. The Policy Memorandum notes that "this broad definition potentially brings a wide range of materials and products into scope. However, the Bill then narrows down this scope through a series of specific exemptions and reliefs." This is in line with the UK regime and the Bill opts to replicate the relevant definitions and exemptions from the UK system.

What is exempt from Aggregates Tax?

Exempt aggregates are presented in the table below, which is reproduced from the Policy Memorandum. Essentially, these exemptions "remove from the scope of the tax secondary or recycled aggregates, or rock, sand and gravel that would not generally be used as granular or particulate material in construction as concrete, mortar, roadstone, asphalt or drainage courses, or as construction aggregates."

Exemptions from Aggregates Tax

Exempt Material	Reason for exemption
Recycled aggregate	Recycled Aggregate is the main alternative to primary aggregate. Exempting it from tax is intended to encourage its use where available.
Construction by-product	This exemption encourages the use of material which will incidentally be extracted during construction activity and may otherwise become waste.
Watercourse clearance	This exemption encourages the use of material which will incidentally be extracted during watercourse clearance, and which may otherwise become waste.
Coal, lignite or slate	This exemption excludes materials which are generally not suitable for use in construction.
Spoil from processing coal, lignite or slate or other specified substances	This exemption encourages the use of materials which might otherwise become waste.
Spoil from industrial combustion processes	This exemption encourages the use of materials which might otherwise become waste.
Oil drill cuttings	This exemption encourages the use of materials which might otherwise become waste.
Clay, soil, vegetable or other organic matter	This exemption excludes materials which are generally not suitable for use as an aggregate.
SAT that has already been paid	This exemption ensures that the same quantity of aggregate is not subject to SAT twice.
Aggregate off site before tax introductions	This exemption confirms the tax treatment of aggregate that potentially has been commercially exploited prior to the commencement of SAT.

As mentioned above, these exemptions mirror the UKAL regime, with only one exception. The Bill does not propose exempting from the tax spoil from the extraction of "ball and china clay". The reasoning given for not including this as an exempt material is that ball and china clay is not produced in Scotland and may be imported into Scotland, but it is unlikely to be used as aggregate.

How does the Bill define commercial exploitation?

Aggregate is considered to have been commercially exploited when it is either removed from its originating site, becomes subject to an agreement to supply it to any person, is used for construction purposes or is mixed with any material or substance other than water. Generally, aggregate is not considered to have been commercially exploited when the value of the aggregate is expected to be realised later, for example, when aggregate is moved to a different site for certain types of processing or for storage.

The Bill also sets out when the definitions of commercial exploitation apply when aggregate is moved to Scotland from the rest of the UK. The Bill proposes that commercial exploitation of aggregate moved to Scotland from the rest of the UK will be taken to occur in Scotland. This means that some aggregate producers based in the rest of the UK may have to register for SAT. However, this is only where they are responsible for commercially exploiting aggregate moving into Scotland - for example, by selling or delivering aggregate to a customer based in Scotland.

“ No commercial exploitation will be deemed to have occurred, for the purpose of SAT, where aggregate is moved from a site based in the rest of the UK to a site based in Scotland which are both under the same SAT registration. SAT will then be triggered by the next point of commercial exploitation to occur. This aligns with the current position under UKAL for sites under the same registration.”

The Bill also includes provision of regulation-making powers for Scottish Ministers to adjust

definitions of commercial exploitation if felt necessary.

“ The Scottish Government also intends to undertake continued engagement with industry stakeholders once the Bill has been introduced to ensure that all possible scenarios are taken into account.”

In terms of aggregate imported into Scotland from outside the UK, the Bill proposes this will be taxable at the first point of commercial exploitation to occur after the aggregate arrives in Scotland " and generally it would be expected that the aggregate is accounted for by the person responsible for the commercial exploitation in Scotland."

Chapter 3 - calculation of the tax

Chapter 3 sets out provisions for the calculation of the tax, including how the tax is calculated and when tax credit is available in relation to the tax.

The Bill provides that the tax will be chargeable by weight, with rate or rates per tonne applied to the taxable aggregate.

The Bill provides Ministers with regulation making powers regarding the calculation of the weight of aggregate. The tax rate, therefore, is not made on the face of this Bill, but will be set out in regulations to be approved by Parliament. The Policy Memorandum notes that, as with the other fully devolved taxes, it is expected that Aggregate Tax rates will initially be proposed for each tax year in the Scottish Budget when it is published.

It is currently proposed by the Scottish Government that there will be a single aggregate tax band, which will match the approach in the rest of the UK. The Bill, however, does provide Ministers with the power to take a different approach to the rest of the UK at a future point via the introduction of multiple tax bands. The Scottish Government consultation response consensus was that a multi-band system would create unnecessary complexity for taxpayers.

The Bill provides Ministerial powers to make regulations regarding specified tax credits. Tax credits (rather than exemptions) have been chosen which match those provided for in UKAL and set out in paragraph 78 of the Policy Memorandum and reproduced below.

“ The Bill sets out that tax credits will be used in the following circumstances:”

- Excepted process: this tax credit excludes from charge the products of specified processes that transform aggregate into a higher value product not suitable for use as an aggregate. For example, this includes the creation of dimension stone or the production of certain industrial minerals.”
- Industrial Processes and Agricultural Processes: this tax credit excludes material used in specified industrial and agricultural processes. The material is not considered to be used as aggregate in these processes. This Bill provides Scottish Ministers with ability to make regulations determining which industrial and agricultural processes qualify for the credit. For the UKAL, specified industrial processes include, for example, drinking water, air and oil filtration and purification and a wide range of manufacturing related processes whilst agricultural processes include the production of fertiliser and the manufacture of pesticides and herbicides. The specific processes eligible for the tax credit for the purposes of SAT will be set out in secondary legislation.”
- Dumping: this tax credit excludes material that is dumped by returning it unprocessed to its originating site, landfilling it or using it for beach replenishment. These are not considered to be uses as aggregate.”
- Aggregates moved to the rest of the UK: this tax would be available in relation to material that is moved from Scotland to elsewhere in the UK to prevent double taxation, i.e., both UKAL and SAT being charged on the same quantity of aggregate. The 2016 Act provided for an equivalent provision for aggregate moved from the rest of the UK to Scotland in the UKAL.”
- Aggregate exported internationally: this tax credit excludes material that has been exported from Scotland to outside of the UK. It would not be consistent with the overall objectives of SAT to tax material which is not used as aggregate. The evidence to demonstrate end use would not be readily available or verifiable when aggregate is exported internationally. This credit is required, therefore, to provide legal certainty as to the tax treatment of exports. This aligns with the treatment of exports under the UKAL regime.”
- Bad debt: this tax credit allows aggregate producers relief from tax where they have been unable to receive payment from a customer.”

Chapters 4, 5, 6- tax administration, penalties, reviews and appeals

Administration

Revenue Scotland will manage administration and compliance of the SAT -- as it already does with the existing fully devolved taxes of Land and Buildings Transaction Tax (LBTT) and Scottish Landfill tax (SlfT). Revenue Scotland are required to keep and maintain a register of taxpayers. Information from the register will be published in the interests of transparency. The Policy Memorandum notes that Revenue Scotland will consult with stakeholders "while determining the form and manner of the information to be published."

The Scottish Government intends that "as far as possible" all tax returns and payments for SAT should be electronic.

A person who produces taxable aggregate must be registered and must submit tax returns and pay tax as determined by the regulations. Businesses who produce or intend to produce exempt aggregate must still make a notification to Revenue Scotland, but will not be required to submit tax returns.

Penalties

Three kinds of financial penalties for non-compliant behaviour are specified by the Scottish Government: fixed penalties, daily penalties and percentage-based penalties. These are consistent with penalties already in place for devolved taxes. The Bill also creates penalties that do not apply to the other devolved taxes.

“ These are penalties payable for failure to provide a security, failure to notify Revenue Scotland of the production of exempt aggregate when required, failure to appoint a tax representative in accordance with regulations when required, incorrectly declaring that aggregate will be used in an industrial or agricultural process for which a tax credit is claimed and failure to notify of cessation of group treatment. These additions replicate penalties found in UKAL and are required to ensure compliance with other provisions of the Bill.”

Reviews and appeals

The Revenue Scotland and Tax Powers Act 2014 is amended to extend the list of decisions made by Revenue Scotland for which review by Revenue Scotland can be requested or appealed to the Scottish Tribunals. Examples listed in section 48 of the Bill include things like Revenue Scotland being able to appeal entitlements to tax credits or whether or not a person is required to have a tax representative.

Part 2 - devolved tax administration

As summarised above, Part 2 of the Bill contains six substantive provisions, and one minor correction, making separate amendments to the RSTPA 2014 which would also apply to other devolved taxes, as follows:

- a power for Revenue Scotland to refuse a repayment claim for tax where the claimant has failed to pay other devolved tax due;
- a provision clarifying the penalty in the 2014 Act for failure to pay LBTT;
- a provision clarifying the legal continuity of acts by different designated officers of Revenue Scotland, and clarifying how summary warrants for the recovery of unpaid amounts of tax are to be executed;
- a power for the Scottish Ministers to make regulations on the use of communications from Revenue Scotland to taxpayers, including provision about the use of electronic communications;
- a power for the Scottish Ministers to make regulations on the use of automation by Revenue Scotland;

- a power for Revenue Scotland to off-set a taxpayer debit against a credit;
- a minor amendment to section 94, substituting the word “section” for “paragraph”.

The Policy Memorandum explains that the amendments in Part 2 will relate to Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT) in addition to SAT and are intended “to support the efficient and effective collection of all devolved taxes by Revenue Scotland”.

The Policy Memorandum further notes that the setting of the SAT rate, as well as detailed provisions for the administration of the tax, including the claiming of tax credits, are to be set out in subordinate legislation.

Unusually, no formal consultation has been undertaken in bringing forward the legislative proposals included in Part 2 of the Bill, and they are reflective of “detailed discussions” with Revenue Scotland who are “fully supportive”. The Scottish Government state in the Policy Memorandum that “although this is not the usual practice...it is appropriate to include the provisions” and that “it is not anticipated that they will be controversial.” Nevertheless, there was criticism expressed in responses to the Finance and Public Administration Committee's [call for views on the Bill which are discussed later in this briefing](#).

The Policy memorandum (paragraph 115) notes the following reasons for the provisions in Part 2 being included:

- One of the changes is a minor correction.
- Two provisions related to designated officers and the application of late payment penalties, are relatively minor and intended solely to be clarificatory. The Scottish Government's view is that they reflect the policy intent at the time that the 2014 Act come into force and serve solely to reinforce this.
- Provisions related to the use of automation by Revenue Scotland and communications from Revenue Scotland to taxpayers are enabling powers, which do not create new obligations on taxpayers or change in any way the current arrangements applying in these areas. If approved by the Scottish Parliament, the Scottish Government would undertake full consultation prior to bringing forward any regulations under the two powers.
- Provisions relating to the potential for automatic set-off are consistent with those already applying in Scotland for UK taxes, including UKAL. It is expected that these provisions might be relevant in only a small range of circumstances.

Financial Memorandum

The [Financial Memorandum](#) (FM) sets out Scottish Government estimates for the overall cost of the Bill relating to the set-up and operation of SAT as whole, rather than individual provisions.

The FM assumes that the tax rate set for SAT is the same as under UKAL, currently charged at £2.00 per tonne, and expected to increase to £2.03 per tonne from April 2024.

Revenue Scotland costs

The bulk of the expected costs presented in the FM are incurred by Revenue Scotland, which the FM states could face set-up costs totalling £2,345,000 in the period 2024-2027, and running costs (for the first year) of £905,000. These are presented under the headings of "set-up costs" and "running costs" in the tables below.

Summary of the estimated Revenue Scotland set-up costs for Scottish Aggregates Tax

Cost (£)	2024-25	2025-26	2026-27	Total set-up costs	What this covers
Programme staff costs	0	365,000	5,000	370,000	2025-26: based on 0.5 x C1 FTE; 2.7 x B3 FTE; 2 x B2 FTE; 0.25 x B1 FTE 2026-27: based on 0.1 x B2 FTE.
Programme non-staff costs	75,000	100,000	25,000	200,000	Includes - Digital Assurance, Gateway Assurance, Comms & Publications, Board Externals, Software Licences, Project Contingency, Travel, IT Kit, Training, External H&S, Procurement of H&S Expert, Shared Services IT and HR
Core Staff costs	440,000	505,000	125,000	1,070,000	2024-25: Based on 0.25 x C3 FTE; 1 x C2 FTE; 2.1 x C1 FTE; 0.85 x B3 FTE; 0.75 x B2 FTE 2025/26: Based on 0.25 x C3 FTE; 1 x C2 FTE; 2.15 x C1 FTE; 1.2 x B3 FTE; 1 x B2 FTE 2026/27: Based on 0.1 x C3 FTE; 0.25 x C2 FTE; 0.5 x C1 FTE; 0.3 x B3 FTE; 0.25 x B2 FTE
Operational non-staff costs	0	5,000	0	5,000	Travel, Shared Services IT and HR, General Training, External Audit, Tax System Support Costs, Geological Testing
IT costs	500,000	200,000		700,000	IT system development
Total	1,015,000	1,175,000	155,000	2,345,000	

The costs to collect and manage the tax "in the first year, 2026-27" are set out in the table below. It is not clear why the FM only presents costs for the first year, and not on-going costs beyond year 1 of SAT.

Summary of Estimated Revenue Scotland Running Costs for the first year of SAT

Cost (£)	2026-27	What this covers
Operational staff costs	645,000	Based on 1 x C1 FTE; 1 x B3 FTE; 6.5 x B2 FTE; 1 x B1 FTE; 2 x A4 FTE
Operational non-staff costs	60,000	Travel, Shared Services IT and HR, General Training, Tax System Support Costs, Geological Testing
Amortisation	200,000	Amortisation is the spreading of the cost of an intangible asset such as an IT system over the period of time that assets is in use.
Total cost	905,000	

No estimates are provided in the Bill for the provisions contained in Part 2. The FM notes that

“ The nature of the changes is such that it is not possible to estimate the precise impact for Revenue Scotland, and two of the amendments provide for enabling powers rather than specific operational changes.”

The Committee may wish to discuss this, given that the proposals contained within the Bill followed detailed discussions between the Scottish Government and Revenue Scotland.

The FM also states that, in relation to provisions in Part 2 of the Bill, the Scottish Government

“ estimates that the measures would be broadly neutral in terms of Revenue Scotland’s costs of operation, relative to the counterfactual where they are not introduced. In terms of the provisions related to the use of automation and communications from Revenue Scotland to taxpayers, specific consideration would be given to the cost implications as part of the relevant consultation process for any secondary legislation. Increased automation of functions coupled with use of electronic communications has the capability of increasing Revenue Scotland’s ability to communicate with taxpayers to assist them with fulfilling their legal obligations. The cost of implementing changes is likely to be balanced out by the cost savings that the changes would offer. So, for example, further reminders to file returns could be issued automatically at no extra cost, and the measures could provide increased confidence that more formal correspondence had been properly issued to taxpayers.”

Scottish Government staff costs

The cost of legislating the tax will be borne by the existing Scottish Government administration budget and the Scottish Parliament staff budgets.

Scottish Government costs are listed for the preparation of the secondary legislation as £58,000, an equivalent of 1 full-time-equivalent (FTE). This is based on average staff costs for 2022-23 (policy support of C2 (0.05 FTE), C1 (0.2 FTE), B3 (0.25 FTE), B2 (0.25 FTE) and legal support of C2 (0.1 FTE). A rounded figure of £60,000 is used in the overall cost table at the end of the memorandum.

Scottish Fiscal Commission costs

The Scottish Fiscal Commission (SFC) will be responsible for producing revenue forecasts from SAT when it comes into force. These forecasts, combined with the OBR forecast which inform the BGA, will underpin the Scottish budget.

The FM sets out estimates for set-up costs that the SFC is expected to incur in 2024-25 as

it prepares to take on responsibility for producing independent forecasts of SAT revenues - these are put, in the FM, at £25,000 in 2024-25. Costs are also estimated for annual SFC running costs from 2025-26 onwards in the preparation of SAT forecasts for the Scottish Government budget in 2026-27 - the FM also puts these at £25,000 in 2025-26.

Transitional costs on Scottish budget

The Fiscal Framework stipulates that the Scottish Government reimburses the UK for any net additional costs incurred in "switching off" UKAL in Scotland. No figure for this is provided in the FM which states:

“ As Scottish Government and Revenue Scotland finalise details on the design and administration of SAT, HMRC is developing an estimate of the costs of switching off the UKAL in Scotland. An estimate has not been submitted to the Scottish Government at this stage, but it will be provided at the earliest opportunity. HMRC will also review and refine that estimate as necessary as the implementation project proceeds.”

A figure of £935,000 is included in the FM as an estimate based on the experience of introducing Land and Buildings Transaction Tax (LBTT). However:

“ This is not considered to be representative of the expected position for SAT, where there are some IT complexities in relation to its tax point, but equally there is a much smaller taxpayer base compared to LBTT. UKAL data shows that there are 320 sites registered in Scotland, linked to just under 150 operators.”

Costs on Local Authorities

Four Scottish local authorities run their own quarries and currently pay UKAL where aggregate is commercially exploited. These local authorities who run their own quarries will in future need to register to pay SAT and complete tax returns. However, the FM states that the Scottish Government does not expect this to place "any significant additional administrative burden" on them as it will "replicate the current requirement to do this under the UKAL."

Local Authorities may indirectly pay UKAL (and therefore may expect to pay SAT) where they purchase aggregates from quarry operatives and the tax cost is passed on. The FM states that the Scottish Government does not hold information on these costs "and is not aware of any relevant information held by HMRC or the UK Government". However, again, in the proposed situation where the Scottish approach is mirroring the UK, the FM does not foresee additional costs under the SAT relative to the status quo.

“ Actual costs will, however, be dependent on the tax rate set for the SAT, which will not be set until closer to the time that the tax comes into force. Separately, any future regulations to change SAT exemptions, credits or rate may have a cost implication for local authority quarry operators and those purchasing aggregates, where the cost of the tax is passed on customers. Future regulatory changes will be underpinned by evidence gathering to identify the implications of changes to SAT.”

Costs on individuals and business

Given the intention to mirror the UK Aggregates tax regime, the FM states that it doesn't anticipate significant additional costs to individuals or businesses.

However, during stakeholder engagement on the Bill, some members of an expert advisory group "observed that extra business administration will be an unavoidable consequence of the introduction of SAT."

The view expressed was that businesses which currently operate across the UK and submit a single UKAL tax return for all registered sites may now be required to register for both SAT and UKAL, thus adding administrative costs. This would be the case for those businesses based in the rest of the UK which move material to Scotland. The FM contains no detail as to how many businesses might be impacted from having to make this additional Scottish registration. The FM notes:

“ The Scottish Government has sought to gather information from those bodies representing the primary aggregates industry to quantify these administrative costs, but stakeholders have highlighted that they are unable to estimate this prior to having sight of Bill provisions.”

This is therefore an unknown cost at this stage which Members may wish to pursue during scrutiny. The FM notes that "specific details" of the tax return will be set out by Revenue Scotland "in future" and "may differ from that for UKAL". However, the FM also says the Scottish Government "expects that any tax return would draw on data that taxpayers would already be required to hold in relation to UKAL."

However, this is not set out in black and white, so is uncertain based on information currently provided.

Despite this unknown, the FM admits there will be costs but it does not expect these to be significant.

“ There will inevitably be additional administration costs for businesses which require, for whatever reason, to submit returns and data to two systems. However, the Scottish Government does not anticipate significant additional administration costs arising from this, and expects overall business costs to be broadly comparable to current UKAL costs.”

Given the Bill proposes future regulations to set out the rates and other key elements of the tax, there are other areas of uncertainty surrounding costs for business.

The FM notes that the Scottish Government "expects" that Revenue Scotland will "consult end-users of the replacement tax system as part of its development of the online system" and that it will "seek to provide systems that minimise administrative effort and costs."

Future regulation cost implications for quarry operators and aggregate consumers are also flagged:

“ Any future regulations setting out the rate of SAT and/or changing the rate of SAT, or exemptions and/or credits, may also have a cost implication for quarry operators and those purchasing aggregates, where the cost of the tax is passed on. Future regulatory changes will be underpinned by evidence gathering to identify the implications of changes to SAT. Evidence gathering will build upon existing research that considered the potential impact of a change to the tax rate.”

Costs on other bodies

The FM also notes costs for the two tax tribunals which were established as part of

previous legislation - the Tribunals (Scotland) Act 2014. This comes in the form of any appeals which might be made against SAT decisions.

The Scottish Courts and Tribunal Service provides administrative support for both the First-Tier Tribunal and Upper Tribunal.

“ It has estimated that set-up costs relating to any IT changes to their case management system to support a new appeal type would be in the region of £6,000. Final costs will however depend on the scope of the changes introduced by the Bill and will be developed following publication and further analysis. Ongoing running costs for SAT related appeals to the First-tier Tribunal are estimated at £20,000 per annum. This includes members fees, corporate overhead and a contribution to the running costs of the Upper Tribunal. This estimate assumes that existing staff resource for the Tax Chamber will be sufficient to absorb the expected volumes. It also assumes, particularly in terms of member fees, that caseload volumes will be limited but that cases will be complex and take substantial judicial time.”

Expected revenues from the tax for the Scottish budget

Revenues raised from the Scottish Aggregates Tax will be added to the Scottish Budget, however, there will also be an offsetting block grant adjustment (BGA) (based on Office for Budget Responsibility (OBR) forecasts) removed from the budget to represent the revenues now foregone by the UK Government.

No official forecasts of either expected revenues or the BGA have been included in the FM.

However, the FM includes the SFC's illustrative forecast from May 2023 of Scotland's share of UKAL which is approximately £60 million (so a figure based on Scotland replicating the UKAL rate). The FM notes:

“ This illustrative forecast is based on limited data and may change once the SFC produce their first full forecast, which is expected in 2024.”

As mentioned, given the Scottish Government plans to replicate the UKAL regime, it is likely that the revenues raised and the BGA will largely offset each other. However, this will not be known for sure until we see the proposed rate of SAT, relative to UKAL. If this broad approach of replicating UKAL is maintained when it comes to setting the SAT rate, this is not a tax power that is going to increase the Scottish budget to any significant extent.

Indeed, it is a tax power that could be a net cost to the Scottish budget. The transition, set-up and operational costs on Revenue Scotland, the forecasting costs on the SFC and compliance costs on the Scottish Courts and Tribunal Service presented in the FM total between £3.385 million - £4.320 million over the period 2024-27, with ongoing costs beyond 2027.

Finance and Public Administration Committee Consultation

The Finance and Public Administration Committee launched a consultation on the Bill on 11 December 2023, with a closing date of 9 February 2024. Nine submissions were received.

Broad support for alignment between SAT and UKAL

As with the Scottish Government consultation, there was overall support, in responses to the Committee consultation, for the broad alignment of SAT with UKAL. The Mineral Products Association (MPA) Scotland notes in their submission that they were "pleased to see the Scottish Government avoiding the error of diverging for the sake of it and keeping the elements of the UK levy that are well-established and well understood."

With the creation, as the Policy Memorandum says, "of two tax jurisdictions where there was previously one", it is perhaps not surprising that stakeholders want to ensure there was not confusion around the interaction of SAT and UKAL and cross-border transfers.

The submission by the Chartered Institute of Taxation (CIOT) states that in the early stages after implementation, "there might be scope for confusion until site operators and businesses are used to the new SAT and the interaction with UKAL."

"To minimise the risk of this, we would advise that sufficient guidance and assistance is available for SAT payers. The strategic objectives within the Framework for tax are: stable revenues, wellbeing economy, national outcomes, and responsive to societal shifts. Given the projected (increasing) share of Scottish revenues from UKAL per the Financial Memorandum, there is no reason to suppose that the SAT will not yield stable revenues. However, with respect to exports to the rUK (which substantially outweigh imports), Scotland is losing out on revenue from Scottish-sourced aggregate when commercially-exploited in rUK (believed to be between £6-10million assuming a £2 per tonne levy)."

The issue of Scotland exporting more aggregate to the rest of the UK is an interesting one that isn't really covered to any great extent in the policy or financial memorandums. CIOT notes:

"By basing the charge in whichever country the aggregate is subject to commercial-exploitation, Scotland is losing out on the export revenue of their natural resources, but it is at least consistent with the UKAL's position with exports – so the simplicity, familiarity and consistency with UKAL is one benefit."

With broad alignment between SAT and UKAL, CIOT does not foresee adverse cross border behavioural impacts, "but that is assuming the actual rate of SAT will be similar to the prevailing UKAL rate." Behavioural impacts would be more likely if there were significant differential rates between SAT and UKAL. MPA Scotland states that:

“ Significant behaviour change is unlikely unless the Scottish Government decides to change the rate drastically, and even then there isn’t an obvious supply of alternative materials available. Any approach with such a drastic rate change would have significant and severe implications for the Scottish construction sector, its customers, including the Scottish Government, and therefore the wider economy.”

CIOT points out that the revenue impacts, from Scotland exporting more in commercial aggregates than it imports, could be significant.

“ Scotland exports far more aggregate to rUK than it imports (over 5.5 million tonnes compared to 16,000 tonnes), so the Scottish Government will be losing out on a significant amount of revenue with that commercial exploitation taking place in rUK (although we would assume this would be reflected in the block grant adjustments).”

With the detail of the block grant adjustment (BGA) yet to be determined, the Parliament will want to be reassured that any BGA agreed between the Scottish and UK government does not negatively impact the Scottish budget.

CIOT also contends in its submission that:

“ The credit for movement of aggregate from Scotland to rUK does potentially expose SAT to risk of abuse. A credit could be claimed for movement to rUK whilst actually delivering the aggregate for use in Scotland, either directly or indirectly by a third person. This risk could be mitigated through secondary legislation and conditions imposed for the credit to be allowed. For example, it could be a requirement that the taxpayer claiming the credit has to obtain proof of registration for UKAL and proof that UKAL has been declared and paid. This would mirror the requirements currently in place for plastic packaging tax where a credit is claimed for components which are subject to a later conversion.”

Definition of Aggregates and Exemptions

The definitions and exemptions used in the Bill, as well as the penalties and appeals processes set out in relation to the SAT and, more generally, consistency with the UK treatment of the tax, are generally welcome.

MPA Scotland notes that with “many companies that operate in both tax jurisdictions, [...] differences in definitions would introduce complexity and potentially perverse incentives and outcomes for no discernible benefit.”

Resource Management Association Scotland, however, raises an issue regarding the definition, arguing that the phrase “extracted for use as bulk fill” is not inclusive enough and potentially misses many aggregate products and uses.

In terms of exemptions, COSLA calls for exemptions to the SAT where there is a “clear public benefit”.

“ The Bill as it stands does not include any provision for exemptions, other than the tax credits for crossborder circumstances. Therefore, we would welcome close attention being paid to the merits of applying the SAT in these circumstances and to explore exemptions carefully. For example if a local authority is developing Active Travel routes, would it be appropriate to apply the Tax, part or in full? So in that case the strategic decision could be taken to remove or reduce the Tax, to encourage the investment required to achieve the overarching goal of active travel.”

On a wider point regarding the aims of the tax, MPA Scotland notes that “the tax has no effect on either the availability of recycled materials, or any other logistical and technical considerations, and therefore cannot directly minimise the exploitation of virgin aggregates.”

The Institute of Chartered Accountants of Scotland (ICAS) points out that the definition of commercial exploitation in section 7 paragraph 9 of the Bill covers movement of aggregate to Scotland from the rest of the UK. “However, the equivalent UK legislation Part 2 section 19 of Finance Act 2001 does not appear to have a provision covering movement of aggregate from Scotland to rUK... In the absence of equivalent UK legislation, how will rUK know they are liable to register for SAT?”

Cross-border issues

Several submissions raise concerns regarding the interaction of SAT and UKAL and cross-border transfers. CIOT highlights that the need to ascertain the precise location of commercial exploitation in order to determine which tax applies, may lead to confusion for site operators and businesses. CIOT notes that “the Scotland Act 2016 provides that the basis for SAT is situs (location) of commercial exploitation”, therefore SAT cannot be based on the source of the aggregate within the current framework. As mentioned above, it further explains that by basing the charge on the country where the aggregate is subject to commercial exploitation, Scotland risks losing out on export revenue from its natural resources, unless there is consideration of this when the block grant adjustment methodology is devised.

Should rates vary between Scotland and the rest of the UK, CIOT warns of the potential for adverse cross border behavioural impacts. The Scottish Environmental Services Association and Resource Management Association Scotland argues in favour of an increased rate of the tax to incentivise the wider adoption of recycled aggregates and ask for the two governments to work together to bring about a UK-wide increase in the Aggregates Tax (and Levy). Resource Management Association Scotland argues:

“ For the Bill to successfully address its original goal of encouraging the use of recycled and alternative materials, it needs to make virgin materials more expensive than their recycled equivalents to incentivise the desired behaviour, plus it would make sense for the Scottish Government and others to lobby the UK government to make UKAL follow suit in order to prevent unnecessary materials movements.”

South Lanarkshire Council argues that whilst using aggregates tax to discourage use of primary aggregates is “a positive step”, a “cautious and limited approach is required”.

“ If aggregate levies are set at too high a level, this will force consumers to use potentially excessive levels of recycled materials, in certain sectors where long term longevity is yet to be proven. An example would be the roads sector, where use of too high a proportion of recycled materials could result in counter-productive failure rates, poor longevity and ultimately increased cost.”

Lack of consultation on Part 2 of the Bill

While provisions in Part 1 of the Bill are generally welcome, submissions received from CIOT, ICAS and the Law Society of Scotland raise concerns regarding Part 2 of the Bill, covering the administration of devolved taxes by Revenue Scotland. Some linked the inclusion of these proposals, which are quite unrelated to aggregates, to the requirement for some kind of regular “care and maintenance” Finance bill. For example, CIOT notes

that:

“ First, we are disappointed that these provisions were not subject to public consultation; the public was not even made aware that they would be announced. Second, the fact that they had to be included within an unrelated piece of legislation further demonstrates the case for Scotland to be able to pass its own annual Finance Bills for administrative changes like this.”

A similar case is made by ICAS in their submission to the Committee. The Law Society of Scotland also argues in favour of a process that allows for regular maintenance of the devolved taxes, suggesting that this could form part of the budget process.

On the substantive proposals contained within Part 2, CIOT raises concern around the use of automation by Revenue Scotland.

“ We also have some concerns over the use of automation under s.55. Having something as important as tax delegated to computers, rather than allowing a taxpayer to interact with a human being, should not be permitted without safeguards against errors. The well-known scandal involving sub-postmasters and an IT system is a stark (though admittedly extreme) warning of what could happen when unquestioning reliance is placed on computers. The draft legislation allows ministers to automate functions of Revenue Scotland through regulations, with minimal scrutiny or transparency. Provisions like this should be contained within primary legislation and with clear limitations.”

In relation to Revenue Scotland’s power to off-set credits and debts across the taxes it administers, ICAS argues that this “appears somewhat heavy-handed” and notes that similar powers may not be used extensively by HMRC, although they are currently seeking clarification in this regard. Based on the understanding that off-setting provision is only to apply to fully devolved taxes, ICAS considers the measure to be unnecessary and “possibly premature at this stage of the devolution process”.

“ This basket of taxes does not appear to be particularly predisposed to being interchangeable – in other words, the likelihood of say, LBTT and SAT being paid by the same taxpayer seems extremely small, as does the likelihood of an SLfT taxpayer being asked to, and agreeing to, offset liabilities against LBTT or SBSL (Scottish Building Safety Levy). Whilst we appreciate that LBTT is prevalent across all areas of business, the taxes in question are relatively small in scale in terms of revenue value. A likely outcome of/reaction to the attempt by Revenue Scotland to offset debts against credits is that appeals might be submitted by taxpayers to prevent the offsetting process from proceeding due to a dispute, which would lead to unnecessary administration for Revenue Scotland and potentially, the Tax Tribunal.”

The Law Society of Scotland seeks similar clarifications to CIOT in relation to section 52 (repayment refusal) of the Bill and raises concerns regarding the “proportionality and necessity” of provisions in section 56 (set-off in relation to tax credits and debits). It highlights the apparent lack of safeguards for taxpayers in the legislation to address the situation should they disagree with a Revenue Scotland decision about whether an amount of tax is outstanding. The Law Society, similar to ICAS, notes that off-set provisions are rarely used by HMRC and that their introduction “is disproportionate in a tax system which only includes two devolved taxes (being LBTT and the Scottish Landfill Tax).”

The Law Society also proposes that the following technical legislative changes be included

in the Bill— Land and Buildings Transaction Tax (LBTT) Group Relief and Scottish Share Pledges (clarifying the availability of LBTT group relief for transactions which took place before 2018 but where Scottish share pledges were in place), legislative changes in relation to the five year period for the purposes of sub-sale development relief (SSDR), in respect of the LBTT, and other issues relating to LBTT group relief and company demergers.

Costs of the Bill

The Bill notes that the precise mechanism for adjusting the Scottish block grant has yet to be agreed. This will be an important consideration for the Parliament to receive additional detail on. South Lanarkshire Council's submission makes this point, noting that "it will be important to understand what the net effect on Scottish Government revenues will be" from this Bill. The South Lanarkshire submission continues:

“ The costs for the introduction of this bill are significant (estimated between 3.385 and 4.320 million pounds up until end of financial year 26/27). It is stated in the memorandum that the UK government's block grant will be reduced by an expected equivalent level of the anticipated devolved tax raised, therefore if a level of taxation equivalent to the UK Aggregate tax levy is applied, there would appear to be no net benefit to Scotland, and between 3.385 and 4.320 million pounds of additional costs up until the end of the 26/27 financial year.”

They state that Local Government should not be expected to face any additional costs from the Bill, noting that "local government is already experiencing unprecedented financial pressure, due to the effects of inflation, savings requirements and restricted budgets, which has already impacted upon service delivery."

“ Any further increase in costs will reduce further the level of investment available for frontline services. We consider that the Scottish Government should bear the costs of the changeover rather than costs being passed on to local authorities. Indeed we also note that the Financial Memorandum does not note that any cost implications for local authorities will be funded and we would seek further clarification on that matter.”

Areas for Parliamentary scrutiny

The proposals offer a degree of continuity with the existing UK-wide regime, but introduce issues around cross-border aggregate movements, which some have argued adds an element of complexity to the system. An analysis report on the responses to the public consultation was published by the Scottish Government on 15 November 2023 and highlights that responses noted:

“ complexities associated with creating two tax jurisdictions where there was previously one, including the treatment of cross-border movements of aggregate and the importance of avoiding double taxation.”

This "complexity" will be a key thing for Parliament to interrogate during scrutiny of the Bill.

The costs of any additional Scottish system for business and consumers of aggregates potentially having to register for both SAT and UKAL are raised in submissions to the Scottish Government and Finance and Public Administration Committee consultations and discussed in the [section on the Financial Memorandum](#) above. Notably, the FM does not expect significant additional costs on local authorities, individuals or businesses. The veracity of that claim may be something for Parliament to consider.

The Bill will, however, impose new costs on the Scottish budget around the administration costs for Revenue Scotland and other costs set out in the Financial Memorandum which are expected to total £3.385 million - £4.320 million over the period 2024-2027, and over £1 million on an ongoing basis.

Options considered with regards to SAT

Given this new element of complexity and different tax regimes for aggregates north and south of the border, there may even be a question around whether this tax is worth devolving? Is this just a re-labelling exercise? What will make Scottish Aggregates Tax different (if anything) to rUK?

The Policy Memorandum lists the three options that were considered with regard to introducing SAT. As mentioned above, these were:

1. Do not replace UKAL once it is disapplied in Scotland.
2. Introduce a replacement tax that retains the fundamental structure of UKAL while being tailored to Scotland's needs.
3. Provide for a replacement tax that takes a fundamentally different approach to the existing UKAL, redefining key concepts and introducing a different system for the administration of SAT.

Given the proposal to largely replicate UKAL, presumably a fourth option would have been to continue with the UKAL regime. Members may wish to question the Scottish government whether that has been considered as an option.

Alignment with UK has been proposed, but is there scope for Scotland specific or Scotland-led policy in line with environmental objectives?

One of the themes that comes through in responses to the Scottish Government and the

Finance and Public Administration Committee consultations is that most stakeholders want a system that is the same, or very similar, to the rest of the UK in order to minimise complexity and confusion. This is seen in terms of the Bill proposals for largely mirroring UKAL.

The policy objectives of this Bill are to encourage the minimum necessary exploitation of primary aggregates; maximise the use of secondary and recycled aggregates and incentivise innovation and development of alternative materials. These policy goals will likely be an area for Parliament to consider - specifically whether the Bill provides an opportunity to incentivise more environmentally friendly behaviours by making the extraction of aggregates more expensive than recycled equivalents. Would such a policy only be supported if the UK government applied a similar policy?

If the Scottish Government ultimately opts for similar rates of tax in Scotland and the rest of the UK, this tax will be broadly revenue neutral. Although the precise block grant adjustment mechanisms are still to be proposed, it is likely that the Revenues generated will be offset by the negative block grant adjustment (BGA). Therefore, are there any Scotland-specific revenue raising opportunities from devolving this tax?

Lack of consultation on Part 2 of the Bill

Parliamentary scrutiny will need to focus on Part 2 of Bill, given, according to the Policy Memorandum, these proposals were not part of the Government consultation process, and followed "detailed discussions with Revenue Scotland" but involved "no formal consultation with other tax stakeholders... prior to their inclusion in the Bill".

As mentioned above, the lack of consultation was disappointing to some of the respondents to the Committee consultation on the Bill. Questions arising may be:

- Why was there no consultation on these proposals?
- Why are they contained here, in this particular Bill about Aggregates Tax, when they apply to the wider gambit of devolved tax?
- Why is legislation based purely on Revenue Scotland insights?
- How can Parliament assure itself these proposals are in the interests of taxpayers and not just Revenue Scotland? For example, around automation.
- What were the discussions with Revenue Scotland and are there any published minutes or records of these "detailed discussions"?

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