

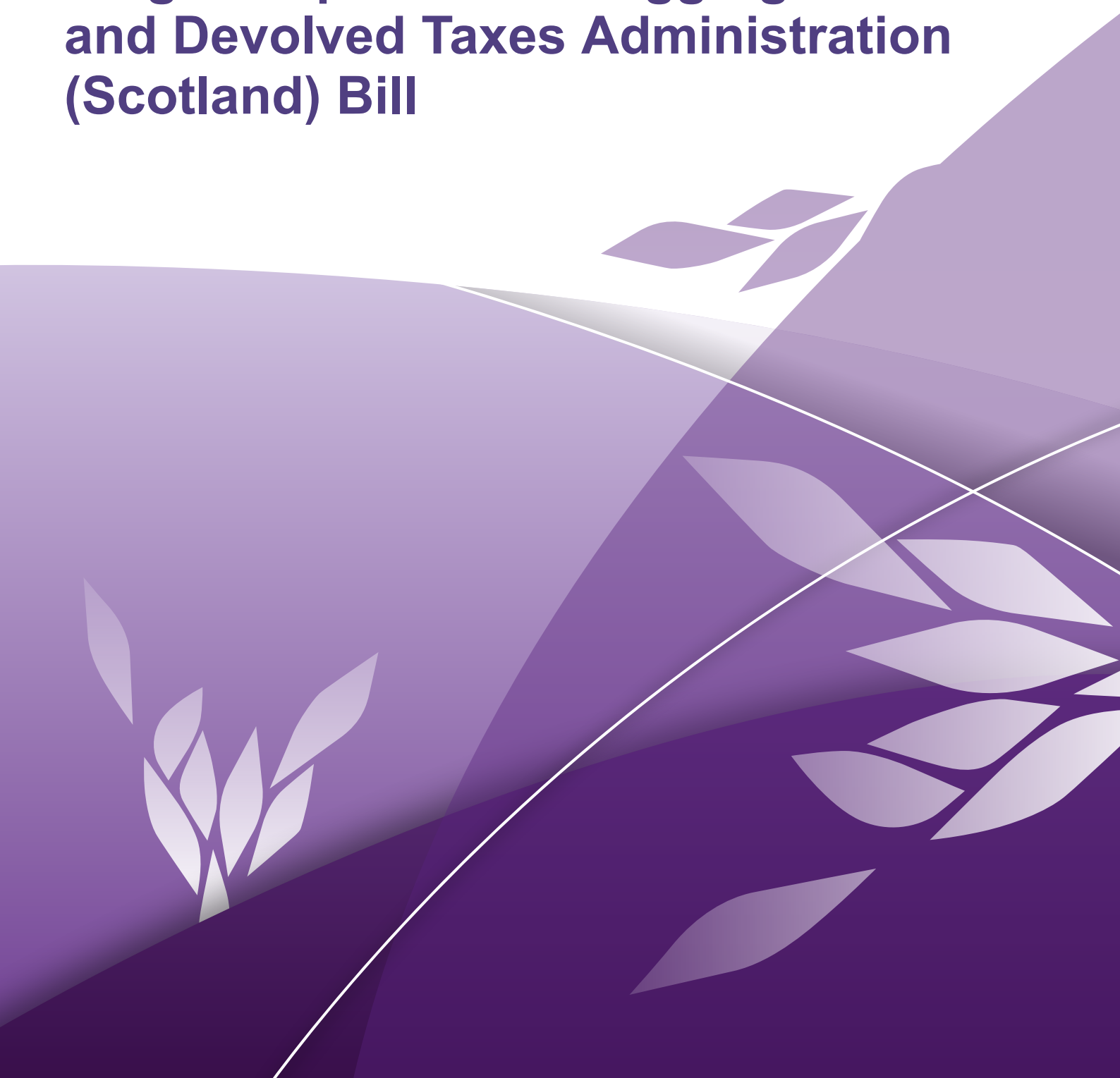


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## Finance and Public Administration Committee

# Stage 1 report on the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill



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# Finance and Public Administration Committee

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(a) any report or other document containing proposals for, or budgets of, public revenue or expenditure or proposals for the making of a Scottish rate resolution, taking into account any report or recommendations concerning such documents made by any other committee with power to consider such documents or any part of them;

(b) any report made by a committee setting out proposals concerning public revenue or expenditure;

(c) Budget Bills; and

(d) any other matter relating to or affecting the revenue or expenditure of the Scottish Administration or other monies payable into or expenditure payable out of the Scottish Consolidated Fund.

(e) matters relating to public service reform and the National Performance Framework within the responsibilities of the Deputy First Minister and public administration.

2. The Committee may also consider and, where it sees fit, report to the Parliament on the timetable for the Stages of Budget Bills and on the handling of financial business.

3. In these Rules, “public expenditure” means expenditure of the Scottish Administration, other expenditure payable out of the Scottish Consolidated Fund and any other expenditure met out of taxes, charges and other public revenue.



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# Committee Membership



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**Michelle Thomson**  
Scottish National Party

# Membership changes

1. Ross Greer was substituted by Gillian Mackay during the Committee's consideration of the Bill.

# Introduction

## Background

2. The Bill was introduced by the Deputy First Minister and Cabinet Secretary for Finance on 14 November 2023 and makes provision for a Scottish Aggregates Tax (“SAT”), a tax on the commercial exploitation of primary aggregates, to be administered by Revenue Scotland.
3. The Bill also makes a number of amendments to the Revenue Scotland and Tax Powers Act 2014 (RSTPA) in relation to the administration of devolved taxes.
4. It is the intention of the Scottish Government that, if the Bill is enacted and the necessary secondary legislation approved by Parliament, SAT will be introduced from 1 April 2026.

## Outline of Bill provisions

5. 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—

1. which aggregate is taxable,
2. which aggregate is exempt from the tax,
3. what is commercial exploitation, and
4. 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.

6. Part 2 of the Bill makes separate amendments to the RSTPA, including six substantive provisions and one minor correction, 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 RSTPA for failure to pay Land and Buildings Transaction Tax (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”.
7. The policy memorandum 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.
8. The Bill and its accompanying documents are available on the Scottish Parliament's website <sup>i</sup>.
9. The Parliament agreed, on 22 November 2023, that the Finance and Public Administration Committee be designated as the lead committee in consideration of the Bill at Stage 1.
10. Under the Parliament's Standing Orders Rule 9.6.3(a) <sup>1</sup>, it is for the lead Committee to report to the Parliament on the general principles of the Bill. In doing so, it must take account of views submitted to it by any other Committee. The lead Committee is also required to report on the financial memorandum and policy memorandum which accompany the Bill.

## Policy objectives of the Bill

11. As explained in the policy memorandum, the Bill was introduced primarily as a consequence of measures enacted in the Scotland Act 2016, which enabled the Scottish Parliament to legislate for a tax to replace the UK Aggregates Levy (UKAL) in Scotland. The Bill proposes that the SAT will be collected and managed by Revenue Scotland, as the tax authority responsible for the administration of devolved taxes in Scotland. According to the explanatory notes, as with the UKAL, the SAT is an environmental tax that aims to reduce the extraction of primary (i.e.

fresh or new) aggregate.

12. Commercial exploitation of primary aggregates (mainly crushed rock, gravel and sand) has been subject to UKAL since its introduction in April 2002. Currently, commercial exploitation is triggered 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 definitions of commercial exploitation used in the Bill for the SAT align with those provided for in the UKAL.
13. The policy memorandum states that the proposed SAT retains the fundamental structure of UKAL, which, “offers a degree of continuity for taxpayers [...] 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”.
14. 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.
15. In relation to cross-border movement of aggregates within the UK, the policy memorandum notes that “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”. It goes on to explain 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”.
16. According to the policy memorandum, aggregates are extracted and sourced across Scotland, with operating quarries found in nearly all 32 local authority areas. The policy memorandum states that the Scottish Government’s Framework for Tax “provides the foundation from which SAT has and will be designed and delivered” and that 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.
17. Under the terms of the Fiscal Framework agreement between the Scottish and UK

Governments, the Scottish block grant will 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.

18. As noted above, Part 2 of the Bill proposes legislative amendments to the RSTPA which the policy memorandum suggests are intended “to support the efficient and effective collection of all devolved taxes by Revenue Scotland”. These amendments would relate to LBTT and Scottish Landfill Tax in addition to SAT.

## Scottish Government consultation

19. 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 undertook a review of the levy in 2019<sup>2</sup>, which examined new and existing evidence on the impact of the levy and considered the interaction of any potential reforms with the planned devolution of the tax to the Scottish Parliament. In addition, 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<sup>3</sup>.
20. A public consultation on proposals for the SAT was held from 26 September to 5 December 2022 and received 24 responses<sup>4</sup>. 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, Convention of Scottish Local Authorities (COSLA) and the Scottish Environment Protection Agency (SEPA) and quarry site visits.
21. An analysis report on the responses to the public consultation was published by the Scottish Government on 15 November 2023<sup>5</sup>. According to that report, 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”.

22. In relation to proposals set out in Part 2 of the Bill, the policy memorandum notes that these “reflect detailed discussions with Revenue Scotland”, however, “no formal consultation with other tax stakeholders has been undertaken on these prior to their inclusion in the Bill”. The Scottish Government commits to future consultation on the provisions relating to automation and communications from Revenue Scotland to taxpayers prior to bringing forward regulations.
23. According to the policy memorandum, 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.
24. A Business and Regulatory Impact Assessment (BRIA) for the Bill was published on 15 November<sup>6</sup>. The BRIA considered three possible options in relation to establishing a replacement for the UKAL in Scotland:
1. do not replace UKAL once it is disappplied 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.
25. The BRIA 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”. It further recommended the inclusion of the measures in Part 2 of the Bill due primarily to “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”.

## Committee approach to scrutiny

26. The Committee issued a call for views to inform its scrutiny of the Bill, which ran for nine weeks, from 11 December 2023 to 9 February 2024<sup>7</sup>. The call for views covered questions regarding alignment of the proposed SAT with the Scottish Government’s Framework for Tax 2021 and the principles and strategic objectives that underpin the Scottish Approach to Taxation, the definitions, exemptions, penalties and appeals covered by the Bill, as well as challenges related to the cross-border movement of aggregates, and the effectiveness of the measures proposed in Part 2 of the Bill. A separate question was asked on the financial memorandum for the Bill. The call for views received ten responses, which have been published on the Parliament’s consultation platform, Citizen Space.
27. Following this consultation, the Committee visited the [Brewster Brothers](#) aggregates recycling facility in Livingston on 27 February 2024. During this fact-finding visit, a range of issues were discussed, including the impact of the rate of the SAT on the

recycled aggregates industry, the impact of the tax on cross-border movement of aggregates and the pricing of aggregates including transport costs, as well as the wider availability of virgin and recycled aggregates and their geographical distribution across Scotland, all of which are addressed later in this report.

28. The Committee took formal evidence on the Bill at meetings on 5, 12 and 19 March 2024 and heard from representatives of COSLA, The Mineral Products Association Scotland (MPA Scotland), the Scottish Environmental Services Association (SESA), the Chartered Institute of Taxation (CIOT), the Institute of Chartered Accountants of Scotland (ICAS), the Law Society of Scotland and Revenue Scotland, as well as from the Minister for Community Wealth and Public Finance <sup>8</sup> .
29. The Committee is grateful to everyone who provided evidence and shared their insights which have informed our consideration of the Bill.



# Issues raised with the Committee during its evidence taking on Part 1 of the Bill

## The role of the SAT in a circular economy

30. The policy memorandum states that—

” The Scottish Government’s Framework for Tax provides the foundation from which SAT has and will be designed and delivered. The Framework ensures that decisions on tax policy are coherent and rooted in a defined set of principles and strategic objectives, rigorously appraised and developed through an established policy cycle, which puts proactive engagement with stakeholders and partners at the heart of tax policy making. [...]

The Scottish Government intends that SAT will align with wider ambitions to deliver a fair, green and growing economy; in particular, the Scottish Government’s ambitions for a circular economy.

31. The evidence received by the Committee broadly supports the general principle that a tax be levied on the commercial exploitation of primary aggregates, as set out in Part 1 of the Bill. Most respondents also agreed that the proposed SAT aligns with the Scottish Government’s Framework for Tax 2021, and the principles and strategic objectives that underpin the Scottish Approach to Taxation.

32. Stakeholders broadly agreed with the definitions and exemptions contained in the Bill, as well as the penalties and appeals processes set out in relation to SAT, and welcomed consistency with the UK treatment of the tax. MPA Scotland noted 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.”<sup>9</sup> Resource Management Association (RMA) Scotland, however, raised an issue regarding the definition of aggregate for the SAT, arguing that the phrase “extracted for use as bulk fill” is not inclusive enough and potentially misses many aggregate products and uses<sup>10</sup>.

33. During evidence, the MPA Scotland stated that the UK has seen “continued growth in the use of recycled materials and secondary aggregates”, despite the UKAL rate being stable for a considerable number of years, and highlighted Scottish Government research showing that approximately “89 per cent of secondary and recycled aggregates are being used within the market”. They, however, also pointed to restrictions and limitations on the overall percentage and amount of recycled or secondary aggregate that can be used, as “certain materials do not meet the criteria that are required of virgin aggregate, or the specifications for roads or other projects”. They highlighted a lack of research on the availability of further markets and of construction and demolition waste in Scotland, both in terms of the quantity and quality of material—

” While there may be an objective for the tax to drive the greater use of recycled materials, there is perhaps a restriction – or an unknown, put it that way – with regard to what the availability and consistency of that material might be<sup>11</sup>.

34. On a wider point regarding the aims of the tax, MPA Scotland noted 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.”
35. In turn, stakeholders representing the aggregate recycling industry emphasised that use of secondary aggregates could be expanded. SESA explained that the availability of materials fluctuates according to changes in the construction and demolition markets, however, the amount of aggregate that is recycled is dictated not only by the availability of material, but also by the market and financial incentives available. The current lack of demand, coupled with “a lower-rate [landfill] tax of £3-something, encourages more to go into landfill” <sup>11</sup> .
36. SESA explained that the available recycling equipment “has come on in leaps and bounds in the last 10 to 15 years” and more materials can be recycled nowadays, albeit via a more costly and intensive process. The use of incinerator bottom ash aggregate (IBAA) was provided as example <sup>11</sup> . In correspondence to the Committee, SEPA stated that IBAA is a “potential area of growth for recycled aggregates” and its use has been approved as an alternative to virgin aggregate in concrete products and in the construction of roads, pavements, structural platforms and embankments. However, restrictions remain due to potential environmental risks <sup>12</sup> . Nevertheless, SESA argued that this application is still too narrow and pointed to countries such as the Netherlands where IBAA is more widely used. They emphasised that the capacity is there to produce more in terms of recycled aggregates, but the financial incentive is lacking. Should the scope for using recycled material be broadened, as illustrated by the case of IBAA, more aggregate could be recycled, contributing to wider sustainability and circular economy aspirations <sup>11</sup> .
37. The Committee heard, during its fact-finding visit at Brewster Brothers, that although the quality of recycled materials is continuously improving, there is still a general perception among potential purchasers of aggregates that they will never reach the quality of primary aggregates in certain areas. SESA also noted that some local authorities take the view that primary aggregate is a safer material to use, despite significant progress and improvement in the quality of the recycled aggregate available. The new tax, SESA argued, is a lever that could be used to try and change the perception of the industry that uses the materials and create opportunities for increasing the use of secondary aggregates—
- ” Bearing in mind that companies are having to make multimillion-pound investments to achieve that, we need to set the foundation stone for a market that looks first at the secondary aggregate market before it looks at the primary market. <sup>11</sup>
38. The Committee also notes SEPA’s comments that “there is room for further growth in recycled aggregate production, and the tax can support that growth, but recycled aggregates are very unlikely to displace virgin aggregate use altogether, regardless of the fiscal conditions” <sup>12</sup> .

## Administration of the tax by Revenue Scotland

39. As heard by the Committee during evidence, Revenue Scotland worked closely with the Scottish Government in developing the Bill and were involved in planning, establishing and facilitating an expert advisory group, “which had afforded us an insight into the workings of the industry [...] and how we might administer and deliver a Scottish aggregates tax in a way that supports good practice and the establishment of a level playing field”<sup>13</sup>. The expert group, which was established in January 2023 and met on five occasions, includes a wide range of organisations, providing a broad range of views and expertise<sup>14</sup>.
40. The Committee was reassured to hear about Revenue Scotland’s collaborative relationship with HM Revenue and Customs (HMRC), which will be crucial in identifying taxpayers based in England who might have to register for the SAT. The joint communications approach with HMRC, the Committee heard, will ensure taxpayers understand their obligations before the tax goes live. Revenue Scotland will have formal data sharing arrangements with HMRC, however, data on the aggregates tax is not expected to be transferred at the start of the process. Instead, Revenue Scotland will be “starting from scratch”, but “working closely with HMRC to put together a joint plan for a smooth transition” to the SAT<sup>13</sup>.

41. We welcome Revenue Scotland’s plans for continued engagement with the industry in advance of the tax being introduced in April 2026, including via early publication of taxpayer guidance, webinars and outreach events for taxpayers.

## Availability and collection of data

42. One of the challenges identified during scrutiny of the Bill concerns the availability of relevant data. HMRC does not currently hold Scotland-specific data on the volume of taxable material located in Scotland or moved throughout the UK. The Minister explained that the Scottish Government is “thus reliant on survey data and estimates that are based on production shares”<sup>15</sup>. The Scottish Government has therefore commissioned jointly, with the UK and Welsh Governments, a survey of production and movements of aggregate for 2023, which the Committee heard will be available in 2025. While this is a welcome initiative, we note that the survey is optional and will, therefore, only provide a partial picture of aggregate flow in Scotland. The British Geological Survey, which carried out the previous survey for 2019, estimated that around 69 to 70 percent of total aggregate production was covered in that survey, leaving a degree of uncertainty, which is expected to be addressed through data collection by Revenue Scotland once the tax goes live<sup>13</sup>.
43. Revenue Scotland indicated that the tax return for the SAT will seek “slightly different information” than that currently provided by taxpayers for the UKAL, with the aim of helping its understanding of the aggregates industry, as well as informing future compliance work. The Committee understands this tax return is to be more detailed, while “balanced against the need to avoid being overly burdensome to the taxpayer”. As stated by the Minister, the tax data collected by Revenue Scotland will

“give us and Parliament the opportunity to consider and interrogate any propositions around what the rate should be”<sup>13</sup> .

## Setting the tax rate

44. As explained by the Minister during evidence, the Bill is focused on the establishment and operation of the SAT. It does not set out a specific tax rate. Instead, this will be established as part of the Scottish budget process in due course. The Minister committed to working closely with stakeholders to inform the setting of the tax rate and noted that “stability and continuity will be important considerations as we initially devolve the tax”<sup>15</sup> .
45. The Minister explained that such “continuity and certainty are really a reflection of this being a new power and a recognition of the limitations that we have with regard to data”. The Bill aims to provide the legislative framework for the operation of the tax and ensure “a proportionate and safe transfer of powers”, therefore allowing future Governments the opportunity to make decisions regarding the rate of tax, as more data becomes available<sup>15</sup> .
46. Witnesses broadly agreed that it is preferable to match the UKAL rate to prevent behavioural change and competition. However, SESA<sup>16</sup> and RMA Scotland<sup>10</sup> argued in favour of an increased rate of tax in Scotland to incentivise the wider adoption of recycled aggregates and they asked for the two governments to work together to bring about a UK-wide increase in the Aggregates Tax (and Levy).
47. The Committee also interrogated the option of introducing differential rates within different geographical areas, based, for example, on local availability of secondary aggregates. Witnesses pointed out, however, that such a system would be both difficult to manage and open to potential exploitation<sup>11</sup> . Scottish Government officials confirmed this option was discussed with the advisory group during the Bill’s consultation phase, and there was wide recognition of the complexity that such a system would add<sup>15</sup> .
48. In relation to rate setting, we heard from COSLA that a significantly increased rate would pose challenges for councils, which run quarries and are both substantial procurers and producers of aggregates. COSLA argued that, where councils use aggregate for providing a public benefit, for example, in roads maintenance, an argument could be made for a potential relief<sup>11</sup> .
49. A tax credit system for the use of secondary aggregates was also proposed as a potential complementary measure to the SAT during the Committee’s fact-finding visit at Brewster Brothers. This was further explored during formal evidence, when SESA explained that encouraging investment in recycling technology, whether through a credit system or an alternative approach, would allow for more material to be diverted from landfill by increasing capacity in recycling plants<sup>11</sup> . We heard from Scottish Government officials that, while this is an area explored by the advisory group, a mechanism for providing credit to recyclers is not available under the current Bill. However, officials highlighted that such a measure relates to wider circular economy objectives and that a consultation on the waste route map is

currently ongoing<sup>15</sup>.

50. In terms of revenue raised through the proposed SAT, the Committee heard that the lack of disaggregated UKAL data from HMRC poses challenges in terms of forecasting. The revenue position in the context of the SAT and comparisons with the current position under a UK-wide tax are dependent, as explained by the Minister, on a number of factors including economic conditions, the block grant adjustment process and policy decisions regarding the UKAL. Scottish Government officials stated that “discussions are ongoing with UK officials as to how that uncertainty should be reflected in the baseline for the block grant adjustment”<sup>15</sup>.

51. The tension between keeping the tax simple for business across the board and maximising recycling rates was a key area of questioning during the Committee’s scrutiny. The Committee has reservations regarding the potential of SAT to incentivise the switch to recycled secondary products and reduce the use of natural products, as per the aims stated in the policy memorandum, without an increase in the tax rate above that currently charged, or broadening the use and classification of recycled aggregates.

52. While we understand the current limitations with regards to the availability of disaggregated data for the UKAL in Scotland, the Committee is strongly of the view that such data is needed in order to establish the tax elasticity and enable future governments to set an appropriate rate of tax that will achieve the above stated aims while effectively managing the challenges and risks of behavioural change.

## Cross-border movement of aggregates

53. The cross-border movement of aggregates and interactions with the UKAL are an important consideration in setting the future rate of SAT and should rates vary between Scotland and the rest of the UK, witnesses warned of the potential for adverse cross-border behavioural impacts.
54. Revenue Scotland explained, during oral evidence, that as far as cross-border transactions are concerned, “we are very much at the investigatory stage, whereby we are trying to establish the biggest risks [...] down to the minutiae of the different arrangements” to ensure a smooth process once the tax goes live<sup>13</sup>.
55. In the absence of relevant data regarding the transfer and exploitation of aggregate within the UK, it is difficult to establish the elasticity of demand in relation to cross-border movements. During our fact-finding visit, however, we heard that transport costs have a significant impact on a supplier’s reach, meaning that any behavioural change linked to differential rates between SAT and UKAL would be limited. We also heard there was relatively limited demand for aggregates in border areas. The MPA explained, during oral evidence to the Committee, a low differential will provide limited incentive for the transport of a low-value product, however, a higher-value product will be more likely to travel further<sup>11</sup>.

56. As highlighted by CIOT, the need to ascertain the precise location of commercial exploitation, in order to determine which tax applies, may also lead to confusion for site operators and businesses. CIOT noted that “the Scotland Act 2016 provides that the basis for SAT is situs of commercial exploitation”<sup>17</sup>, therefore SAT cannot be based on the source of the aggregate within the current legal framework. It further explains that “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”. CIOT went on to say that this approach is at least consistent with the UKAL’s position with exports<sup>13</sup>.
57. CIOT further highlighted three areas of the Bill which it considered would benefit from additional clarification. In their written submission to the Committee<sup>17</sup>, they suggest that:
1. “further controls [...] are placed upon the system of credits with interactions between” SAT and UKAL “to reduce the likelihood of potential abuses taking place”. They explained that, when exporting to England, a Scottish quarry will be able to claim a credit, as the material will not be commercially exploited until it arrives at a site in England, therefore the tax revenue will benefit the UK Government rather than the Scottish Government. CIOT argued that “Revenue Scotland will need powers to investigate the supplier in Scotland [...] to check that anything that is claimed to have been exported from the UK has actually been exported”.
  2. Section 8 of the Bill, covering persons liable to pay tax, “could contain a provision to allow the Scottish Government to tax a Scottish customer who has taken the product, even though it has been imported from England”.
  3. In addition, section 26 of the Bill requires the appointment of tax representatives by importers from outside the UK, however, CIOT notes, “it does not require other UK importers furth of Scotland to appoint representatives to enable them to meet their obligations under the Bill”.

58. The Committee requests that the Scottish Government provides any data currently available on the cross-border movement of aggregates.

59. We would further welcome clarification from the Scottish Government regarding what measures will be taken to address the potential risks identified and ensure that the new system is not open to abuse, once live.

## Compliance and penalties

60. The Committee heard concerns regarding non-compliance with the existing tax regime, including some anecdotal evidence of unregistered quarries operating across Scotland and competing for tenders. Revenue Scotland officials explained that the issue appears to manifest itself either via quarries extending beyond their permitted boundary or so-called ‘pop-up’ quarries, whereby materials may be taken from a farmer’s field and used in construction, with the field then being filled back in. While, the level of non-compliance is not currently known, the anecdotal evidence



from industry suggests this could be significant <sup>13</sup> .

61. Section 8(5) of the Bill seeks to deal with some non-compliance issues with regard to unregistered taxpayers. As stated in the explanatory notes, this subsection provides that “where there is a supply chain arising from an agreement to supply aggregate, every person in the chain is liable to pay the total amount of tax chargeable on the aggregate as a result of the agreement, unless they have acquired the aggregate from a supplier who is registered for tax under section 17 of the Bill (the purpose being to prevent the creation of an artificial chain in order to avoid liability for tax).”
62. Stakeholders emphasised the importance of enforcement and the need for significant resources to be allocated to Revenue Scotland for this purpose. ICAS called for a joint and cohesive approach to the overall policing of operators by SEPA, Revenue Scotland and the Scottish Government, raising concerns that significant amounts of aggregate may be leaving Scotland from unregistered sources. Enforcement, it suggested, however, cannot in this case be restricted to paper trails, but must include physical visits to premises, to ensure the registration of sites and work towards a level playing field for operators. The Law Society of Scotland also emphasised the introduction of the new tax as a momentous opportunity to “reel in some of the miscreants and get them registered” <sup>13</sup> .
63. As explained by CIOT during oral evidence, SEPA’s role in relation to the aggregates tax is limited, particularly when compared to its regulatory duties regarding the landfill tax. SEPA does not, for example, hold a Scottish register of quarries. Enforcement in relation to the aggregates tax therefore falls mainly to Revenue Scotland <sup>13</sup> .
64. Revenue Scotland highlighted its approach to compliance as an area where they feel that they “can make a difference in Scotland [...] by ensuring that the taxpayers or their agents understand their obligations [...] and that they pay the right amount of tax”. According to industry representatives, the position is not consistent across the aggregates industry in Scotland and current non-compliance with the existing tax regime creates an uneven playing field in terms of companies competing for business. The geographical spread of the industry and the significantly higher number of taxpayers mean Revenue Scotland’s approach to administration and compliance with the SAT will have to differ from that used for landfill tax and LBTT—
- ” We will want to make sure that we have our ear to the ground around Scotland, because there are quarries all over Scotland, including in island communities.  
<sup>13</sup>
65. As part of their compliance approach, Revenue Scotland stated that they will employ technology where possible to identify quarries and work with taxpayers directly to understand the industry. Compliance work will not be done in isolation, but through a collaborative approach involving key stakeholders including local authorities, SEPA and the Health and Safety Executive <sup>13</sup> . A specific benefit of devolving the tax, the Committee heard, is that, as only the third tax to be administered by Revenue Scotland, the SAT will receive a higher level of attention from the tax administration than that currently afforded to the UKAL.
66. On penalties, the Bill provides that in the case of taxable aggregate that has not

been purchased from a registered taxpayer, the tax can be charged at any point of commercial exploitation, an approach which is in line with that taken for the landfill tax and aims to minimise illegal behaviour.

67. We heard that Revenue Scotland intends to take a targeted approach, focusing on local authorities and construction companies, to make purchasers of aggregate aware of the requirement, under the Bill, to ensure that they purchase their aggregate from a registered taxpayer.
68. During oral evidence, Revenue Scotland officials confirmed that they will advise the Scottish Government that the penalty for a tax credit in relation to prescribed industrial or agricultural processes be removed as part of Stage 2 amendments to the Bill <sup>13</sup>. CIOT had highlighted, in their written submission, that the provision could have led to double penalties for both quarry operators and customers <sup>17</sup>.
69. Revenue Scotland also emphasised that the penalties regime set out in the RSTPA will apply to the administration of the SAT and penalties shall not be used as a revenue-raising mechanism.

70. The Committee was concerned to hear about the potentially significant levels of non-compliance with the existing aggregates tax regime. We welcome Revenue Scotland's intended approach to compliance and stress the importance of effective data collection and enforcement to ensure a level-playing field for the industry and contribute to the Bill's overall aims.
71. To ensure compliance with the new tax regime, we believe Revenue Scotland should work closely with local authorities, as these will be better informed with regards to quarrying activity in their local areas.
72. We look forward to reviewing the compliance work undertaken, as part of our ongoing scrutiny of Revenue Scotland's performance.

## Other areas highlighted during evidence

73. The Committee interrogated the application of the tax at the point of commercial exploitation and whether applying it at the point of production would be more efficient. The MPA Scotland explained that applying the tax at the point of production would cause cash flow issues, given time delays between the excavation of materials and commercial exploitation. They also pointed out that lower-quality material is not always commercially exploited but used instead in site restoration. This would, however, still incur a tax if that was to be applied at the point of production <sup>11</sup>. In addition, CIOT explained that the application of the tax at the point of production would cause difficulties due to provisions under the Scotland Act 2016, which do not allow for the taxation in Scotland of material that is to be sold elsewhere <sup>13</sup>.
74. We would also highlight MPA Scotland's recommendation regarding the establishment of a Scottish minerals forum, including bodies such as Heads of Planning Scotland, the Scottish Collaboration of Transportation Specialists, COSLA



and SEPA, which could provide strategic direction in this area, address issues regarding the availability of aggregates, sustainability and the move towards a circular economy<sup>11</sup>.

# Issues raised with the Committee during its evidence taking on Part 2 of the Bill

## Lack of consultation on provisions

75. According to the policy memorandum, proposals in Part 2 of the Bill, covering the administration of devolved taxes by Revenue Scotland, 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".
76. Stakeholders including CIOT, ICAS and the Law Society of Scotland raised concerns regarding provisions in Part 2 and expressed disappointment at the lack of public consultation on this part of the Bill.
77. The Law Society of Scotland stated, during evidence to the Committee, that "we all got quite a surprise when we read the provisions in part 2 of the Bill; having a lead-in process would have been preferable"<sup>13</sup>. The Minister recognised the concerns raised and described the changes as "either minor or consistent with the way in which UK taxes currently operate in Scotland", noting that they are enabling powers which will allow for detailed engagement and consultations on relevant regulations. He also noted "that the opportunities that we have to introduce primary legislation on tax are infrequent" and it was felt, therefore, that it was important "that we respond constructively to suggestions from Revenue Scotland"<sup>15</sup>.
78. Revenue Scotland welcomed the inclusion of the measures in Part 2 of the Bill and described them as "responsible and mature technical measures that reflect the changing landscape of tax administration in Scotland". It highlighted "the rigour of gateway reviews and digital assurance mechanisms" as reassurances of the organisation's robust delivery plans and ethical approach<sup>13</sup>.

79. The Committee shares the concerns raised that Part 2 of the Bill was not subject to any consultation with stakeholders other than Revenue Scotland prior to the Bill being introduced. This approach does not support effective policy-making.
80. However, we welcome the Minister's assurances and commitment that a consultation will precede the introduction of any regulations relevant to measures included in Part 2 of the Bill and recommend that this commitment is made explicit on the face of the Bill.

## Section 55 Use of automation by Revenue Scotland

81. Section 55 makes provision for the use of automation by Revenue Scotland. In the context of its public administration remit, the Committee has taken a keen interest in the use of artificial intelligence and the opportunities and risks associated with

automation. Digital exclusion, clarity and protection for the taxpayer were issues raised by stakeholders, with ICAS noting that “a bit more thought could be given to how the powers are constructed”, with the general recognition that these are enabling powers which will be followed by consultation in advance of any secondary legislation being laid. We welcomed confirmation, from Revenue Scotland, that automation will be employed “at the very straightforward end of our processes”, to improve efficiency and allow staff to focus on more complex work <sup>13</sup>.

82. The Committee was reassured by the Minister’s commitment to “providing a full opportunity for parliamentary scrutiny on top of the public and stakeholder consultation and engagement <sup>15</sup>” in relation to the regulations that would be brought forward regarding the Bill’s provisions on automation, so that risks may be fully examined.
83. However, we would welcome further information from the Scottish Government at this stage on how the power of automation is intended to be used by Revenue Scotland and what measures will be taken to address the risks associated with automation and digital exclusion to protect the taxpayer.

## Section 56 set-off by Revenue Scotland

84. Section 56 allows Revenue Scotland to set off a taxpayer’s credit against that same taxpayer’s debit. Concerns were raised with the Committee regarding this provision in both written and oral evidence. This section of the Bill replicates provisions in section 130 of the UK Finance Act 2008 and the Committee heard that the intention is for Revenue Scotland to be able to offset any tax against any other tax. ICAS argued that, in the context of the small number of taxes administered by Revenue Scotland, the limited budgetary impact of these taxes, and Revenue Scotland’s own relative success at administering and collecting them, such a measure feels unnecessary and “possibly premature at this stage of the devolution process”. The “proportionality and necessity” of these provisions was also questioned by CIOT, who explained that the power of set-off was already available under common law. The Law Society of Scotland also highlighted the lack of protections for the taxpayer in the proposed legislation, in addition to noting that the provisions in section 130 of the Finance Act 2008 are seen as “an extreme measure”. It therefore questioned the appropriateness of their replication in this Bill. ICAS echoed the Law Society of Scotland’s call for taxpayer protection on the face of the Bill, applying to both section 56 and section 52 (Refusal of repayment claim where other tax not paid), stating that provisions should set out “when a liability is to be determined”, such as, following completion of an appeals process <sup>13</sup>.
85. In their evidence to the Committee, Revenue Scotland stated that “set-off would come into effect where there was no dispute about the amount of tax that was due” and pointed to the organisation’s “strong reputation for acting proportionately”. It explained that the provisions would provide certainty and clarity for taxpayers, with the safeguard “that the amount that is due is undisputed” <sup>13</sup>. The Minister further highlighted that such powers are already available in Scotland in relation to reserved taxes administered by HMRC and that Revenue Scotland has already

used voluntary set-off with consent. He further restated that the power set out in this Bill has been requested by Revenue Scotland to “allow for more efficient administration of the tax system” and is consistent with powers enjoyed by HMRC

15

86. The Committee notes concerns raised by stakeholders regarding the lack of safeguards should there be a dispute between Revenue Scotland and taxpayers whether an amount of tax is outstanding. By not consulting on these provisions before the Bill was laid, a valuable opportunity for the Scottish Government to discuss stakeholders’ concerns was lost.
87. While we welcome Revenue Scotland’s assurances, provided in both written and oral evidence, that set-off measures will be used only where the amount due is undisputed, the Committee is concerned that this approach is not explicitly set out in the Bill as introduced.
88. The Committee would welcome further reassurance and clarification from the Scottish Government regarding what protection will be afforded to taxpayers under Sections 52 and 56 of the Bill, should a dispute arise with Revenue Scotland on the amount of tax owed.

## Transparency around changes to devolved taxes

89. The inclusion in Part 2 of the Bill of provisions related to the wider administration of devolved taxes by Revenue Scotland prompted discussion around the merits of a regular Finance Bill, particularly given the view of some witnesses that the miscellaneous provisions in Part 2 of the Bill “do not really have anything to do with the aggregates tax”. Stakeholders including ICAS, CIOT and the Law Society of Scotland highlighted a potential Finance Bill as a measure to simplify and enhance transparency around devolved taxes legislation. They suggested this would further aid public engagement and understanding around Scottish taxes by grouping such provisions in one, easily accessible Bill, rather than having them spread out in several unrelated pieces of legislation. As explained by the Law Society of Scotland during evidence, “as well as it being easier to locate where provisions are, there would be a timetable for people to feed in to the process so they could make representations about things that could be included in that year’s finance bill”<sup>13</sup>.
90. Revenue Scotland also argued in favour of a regular, periodic, although not necessarily annual, Finance Bill, to keep legislation up to date from both a technical and substance perspective— “without a regular vehicle for doing that, we run the risk of our tax legislation falling behind or our ability to ensure proper compliance and fairness across the system being brought into doubt”<sup>13</sup>.
91. When questioned on the Government’s position regarding the introduction of such a Bill, the Minister responded that “we are not opposed in principle, but it would be a significant undertaking for the Parliament”. He further noted that the current budget processes, established through the Session 5 budget process review, have been developed in partnership with the Parliament and by joint agreement with the

Committee. He further highlighted that this is a change “the Government cannot take [...] forward on its own”, however “if there is a willingness in the Committee to start engaging in that work, I am more than happy to pick that up”<sup>15</sup>.

92. We welcome the Minister’s commitment to “engage with the Parliament in conversations and discussions about issues of fiscal transparency and engagement with regard to what any finance bill or process would look like”<sup>15</sup>.

93. The Committee notes the views of stakeholders that the process for agreeing changes to devolved taxes could benefit from more transparency and clarity. We will consider over the remaining months of this Parliament how this might be achieved.

94. The Committee also notes the Minister’s commitment to consider proposals made by the Law Society of Scotland regarding amendments in the area of Land and Buildings Transaction Tax group relief and Scottish share pledges. The Committee did not receive sufficient evidence to take a view on the merits of these proposals or on whether they should be included in this particular Bill.

# Accompanying documents

## Policy Memorandum

95. On introduction, the Bill was accompanied by a policy memorandum which clearly sets out the purpose of the Bill, the policy background and the alternative approaches that were considered. The contents of the policy memorandum are explored earlier in this report.

## Financial Memorandum

96. Under rule 9.3.2 of the Parliament's Standing Orders <sup>1</sup>, a financial memorandum (FM) was published alongside the Bill, setting out best estimates of the costs and changes to revenue associated with the Bill.
97. The FM assesses the overall costs of the Bill relating to the set-up and operation of SAT as a whole, rather than individual provisions. Calculations are based on the assumption that the tax rate set for the SAT is the same as that under the UKAL, currently charged at £2.00 per tonne, although this rate increased to £2.03 per tonne on 1 April 2024.
98. Costs are expected to be incurred primarily by Revenue Scotland and, to a lesser extent, by the Scottish Fiscal Commission (SFC) and the Scottish Courts and Tribunals Service (SCTS). These amount to a total of £3,385,000 - £4,320,000 to be incurred by the Scottish Administration (including Revenue Scotland and SFC) during the first three years (2024-25 to 2026-27) and approximately £26,000 to be incurred by the SCTS over the same period. The FM also includes a commitment from the Scottish Government that any additional costs incurred by Revenue Scotland to deliver the SAT will be met. No cost estimates are provided for provisions in Part 2 of the Bill, with the FM stating 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”.
99. When questioned by the Committee, Revenue Scotland expressed confidence in the figures presented in the FM, highlighting staffing costs as the main financial risk, given uncertainty in relation to future pay arrangements. However, they stressed that they “are confident that we can live within those figures” <sup>13</sup>.
100. In relation to the impact of the SAT on the Scottish budget, the FM notes that a Scotland-specific breakdown of UKAL revenues is not currently available from HMRC. The SFC produced an illustrative forecast of Scotland’s share of the UKAL in May 2023, set out in Table 1 of the FM. According to SFC’s forecast, the estimated Scottish share of UKAL Revenue is expected to amount to £60 million in 2023-24, £60 million in 2024-25, and rising to £61 million in 2025-26. The illustrative forecast, however, is based on limited data and a full forecast is expected in 2024.
101. As previously noted, under the terms of the Fiscal Framework, revenues raised from the SAT will be added to the Scottish Budget, however, there will also be an

offsetting block grant adjustment (BGA) (based on Office for Budget Responsibility 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 (a figure of approximately £60 million 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.

102. The FM notes that the Scottish Government will need to reimburse the UK Government for any net additional costs incurred in 'switching off' the UKAL in Scotland. HMRC has confirmed that it expects there will be some additional costs for switching off the UKAL and that it will seek reimbursement from the Scottish Government for these costs, however, an estimate of these costs is not yet available. During oral evidence, the Committee heard that HMRC is yet to provide a figure and work is continuing between officials from both Governments to establish this cost <sup>15</sup>.

103. The Committee asks that the Scottish Government provides, in its response to this report, an update on the progress of discussions with HMRC regarding the cost of 'switching off' the UKAL in Scotland.

## Delegated Powers Memorandum

104. A Delegated Powers Memorandum (DPM) was also published setting out the reasons for using delegated powers and the procedure chosen. The Delegated Powers and Law Reform Committee (DPLRC) considered the DPM at meetings on 30 January and 5 March 2024 and reported to this Committee on 12 March 2024 <sup>18</sup>.
105. The Bill confers 20 delegated powers on the Scottish Ministers. As part of their consideration, DPLRC wrote to the Scottish Government to raise questions in relation to the following delegated powers <sup>19</sup>:
- Section 4(4) – Power to add or remove items from a list of relevant substances for the purposes of excepted processes
  - Section 12(3) - Power to specify the rate(s) of tax
  - Section 20 - Power to make regulations requiring notification of production of exempt aggregate
  - Section 37(2)(a) - Power to specify a relevant person to which Revenue Scotland may delegate any of its functions relating to SAT
  - Section 54(2) - inserting new section 251A(1) in the 2014 Act - Communications from Revenue Scotland to taxpayers

- Section 55(2) - inserting new section 251B(1) in the 2014 Act - Use of automation by Revenue Scotland

106. Following consideration of the delegated powers and correspondence received from the Scottish Government on 16 February 2024<sup>20</sup>, the DPLR Committee made the following recommendations for amendments:

- *Section 4(4) – Power to add or remove items from a list of relevant substances for the purposes of excepted processes* - The Committee is content with the power in principle, but recommends that it is amended so it is subject to the affirmative procedure.
- *Section 12(3) - Power to specify the rate(s) of tax* - The Committee is content with the power in principle but recommends that it is amended so that it is subject to the affirmative procedure on the first exercise of the power, and subject to the provisional affirmative procedure thereafter.
- *Section 37(2)(a) - Power to specify a relevant person to which Revenue Scotland may delegate any of its functions relating to SAT* – The Committee draws this power to the attention of the lead committee (FPAC) to consider its necessity and scope. If the lead committee considers it is necessary to delegate to ministers, then it should consider how the power might be better limited, what level of parliamentary scrutiny would be appropriate and whether it should be subject to a consultation requirement.

107. In its report, DPLRC further recommends “that there should be a requirement to conduct a public consultation prior to the exercise of the powers in sections 54 and 55 (communications and automation). Otherwise, the Committee is content with the powers in principle and is content that they are subject to the affirmative procedure.”

108. More generally, the report highlights “that there is no formal consultation requirement provided for in the exercise of any of the delegated powers relating to the SAT, or the devolved taxes administration dealt with in the Bill. While the Scottish Government has stated that it is committed to consultation in the development of its tax policies, this does not bind any future governments. As such, the DPLRC asks the lead committee to give consideration to whether any such requirements should be introduced in the implementation of the Bill.”

109. This Committee agrees with the recommendations made by the DPLRC in their report and recommends that the Bill is amended as it has suggested.

110. As requested by the DPLRC, we gave further consideration to Section 37(2)(a) - Power to specify a relevant person to which Revenue Scotland may delegate any of its functions relating to SAT. We recommend that the Scottish Government amends the Bill to provide further clarification on the circumstances in which this power will be used.

111. We also noted earlier in this report the Scottish Government’s assurances that the introduction of regulations relating to provisions in Part 2 of the Bill will be preceded by full consultation, and we restate our request that this commitment is made explicit in the Bill.



# Conclusions and recommendations on the general principles of the Bill

112. Under rule 9.6.1 of Standing Orders, the lead committee is required to report to the Parliament on the general principles of the Bill. In doing so, the Finance and Public Administration Committee has taken into consideration the evidence from a range of stakeholders.
113. Overall, the Committee is supportive of the Bill's aims. However, we note the current lack of data available which poses difficulties in relation to setting the rate for the tax. Significantly more research and data are needed to establish the elasticity of demand and inform the rate-setting process in a way that will contribute to the aims stated in the policy memorandum. We look forward to receiving the results of the survey currently being carried out, which will help to inform the decisions around setting the rate for the tax.
114. The policy memorandum states that the Bill 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 or alternative materials". Given the limited scope of the Bill, however, and the focus on continuity, the Committee has reservations about its potential to contribute to fulfilling those ambitions. We would like to see more action being taken to incentivise investment in recycling and diverting material from landfill.
115. In response to the Committee's concerns, the Minister explained that the prudent approach taken in developing the Bill, of broad alignment of the SAT with UKAL, reflects the requirement for stability and confidence expressed by industry and the lack of data and ability to assess behavioural effects. However, he emphasised the tax is "just one tool among many", sitting alongside regulatory interventions and policy approaches. As more data is gathered once the tax is introduced, there will be an opportunity for it to be further tailored to Scotland's needs and ambitions, alongside other devolved taxes; "this will be done in a way that is consistent with our 'Framework for Tax 2021' principles, by making sure that we have a fully developed evidence base and understanding of the potential behavioural responses to any tax change". He noted that the Bill "will provide scope for [...] a more distinctive approach to the tax in the future, which will be based on operational experience and an improved evidence base"<sup>15</sup>. This was endorsed by stakeholders such as the Law Society of Scotland who referred to the LBTT as an example where devolution of a tax allowed for it to be adapted to Scots law and conveyancing practice.
116. The Committee was reassured to hear that the Bill represents only the starting point, reflecting broad consensus from industry, and that the tax will be developed, and rates determined by future Governments based on data and analysis of behavioural responses. The interaction with the Scottish Landfill Tax will be particularly relevant to the Government's stated aims.

117. In its evidence to the Committee, the Minister highlighted specific provisions to address compliance concerns relating to unregistered quarries as another important area of distinction in the Bill. These will allow Revenue Scotland to tax anyone in the supply chain if a non-registered site is used, with a view to ensuring that all purchasers of aggregates use registered sites. Given the proportional impact of the tax on Revenue Scotland's work, it will allow the tax authority to "bring a level of attention and focus" to the tax that was just not possible under UKAL, given the UKAL's modest contribution within the suite of taxes administered by the HMRC. We welcome Revenue Scotland's approach to compliance and believe the measure could have more potential to address concerns raised by the industry.
118. We also note that, in the context of current plans to replicate the UKAL regime, it remains uncertain whether the revenues raised and the BGA will largely offset each other. If this broad approach of replicating UKAL is maintained when it comes to setting the SAT rate, we note that the tax is not expected to increase the Scottish budget to any significant extent.
119. In conclusion, the Committee supports the general principles of the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill and recommends to the Parliament that they be agreed to. The Committee looks forward to receiving the Scottish Government's response to the recommendations and comments contained in this report.



# Annexe A - Photographs of the Committee's fact finding visit at Brewster Brothers, an aggregates recycling facility in Livingston, 27 February 2024







Source: Finance and Public Administration Committee

# Annexe B - Extracts from the Minutes of Finance and Public Administration Committee meetings

[9th meeting, 2024 \(Session 6\), Tuesday 5 March 2024](#)

## **7. Aggregates Tax and Devolved Taxes Administration (Scotland) Bill:**

The Committee took evidence on the Bill at Stage 1 from—

Jonathan Sharma, Policy Manager - Local Government Finance, COSLA;

Alan Doak, Director, Mineral Products Association (Scotland);

Dougie Neill, Group General Manager, NWH Group, Scottish Environmental Services Association.

[10th meeting, 2024 \(Session 6\), Tuesday 12 March 2024](#)

## **1. Aggregates Tax and Devolved Taxes Administration (Scotland) Bill:**

The Committee took evidence on the Bill at Stage 1 from—

Eric Brown, Scottish Technical Committee, Chartered Institute of Taxation;

Justine Riccomini, Head of Tax (Employment and Devolved Taxes), Institute of Chartered Accountants of Scotland;

Isobel d'Inverno, Tax Law Sub-Committee Convener, Law Society of Scotland;

**and then from —**

Elaine Lorimer, Chief Executive, John McVey, Programme Manager and James Lindsay, SAT Tax Design Project Manager, Revenue Scotland.

[11th meeting, 2024 \(Session 6\), Tuesday 19 March 2024](#)

## **1. Aggregates Tax and Devolved Taxes Administration (Scotland) Bill:**

The Committee took evidence on the Bill at Stage 1 from—

Tom Arthur, Minister for Community Wealth and Public Finance, Jonathan Waite, Aggregates Tax Bill Team Leader and Robert Souter, Senior Tax Policy Adviser, Scottish Government.

[14th meeting, 2024 \(Session 6\), Tuesday 23 April 2024](#)

## **1. Aggregates Tax and Devolved Taxes Administration (Scotland) Bill (In Private):**

The Committee considered and agreed a draft Stage 1 report and agreed the arrangements for its publication.

# Annexe C - Evidence

## Official Reports (substantially verbatim transcripts) of meetings of the Finance and Public Administration Committee

[5 March 2024](#) - evidence from stakeholders

[12 March 2024](#) - evidence from stakeholders

[19 March 2024](#) - evidence from the Scottish Government

### Written submissions

The Committee received the following written submissions to its call for views as part of its Stage 1 scrutiny:

[Chartered Institute of Taxation \(CIOT\)](#)

[COSLA](#)

[Institute of Chartered Accountants of Scotland \(ICAS\)](#)

[Law Society of Scotland](#)

[Mineral Products Association Scotland](#)

[Patton, Peter](#)

[Resource Management Association Scotland](#)

[Revenue Scotland](#)

[Scottish Environment Protection Agency \(SEPA\)](#)

[Scottish Environmental Services Association](#)

[South Lanarkshire Council](#)



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