

Aggregates Tax and Devolved Taxes Administration (Scotland) Bill

Island Community Impact Assessment

Full Assessment Not Required Declaration

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Policy Title: Aggregates Tax and Devolved Taxes Administration (Scotland) Bill

Step 1 – Develop a clear understanding of your objectives

- What are the objectives of the policy?
- What are the intended impacts/outcomes and how do these potentially differ across the Islands?
- Introduced in 2002, the UK Aggregates Levy (“UKAL”) is an environmental tax on commercially exploited aggregate.

The Scotland Act 2016 empowered the Scottish Parliament to legislate for a tax on the commercial exploitation of aggregate in Scotland to replace the UKAL.

The Scottish Aggregates Tax (SAT) is intended to align with wider Scottish Government ambitions to deliver fair, green and growing economy. In particular, the SAT aims to align with the Scottish Government’s ambitions for a circular economy.

The circular economy provides an opportunity to minimise our demand on primary resources and maximise the re-use, recycling and recovery of resources. The Circular Economy route map to 2025 and beyond sets out the importance of embedding circular construction practices to reduce resource needs, reduce waste and carbon, and encourage refurbishment and reuse.

SAT will be an important policy lever in supporting those efforts, through its core objectives:

- (i) Minimising the necessary exploitation of primary aggregates,
- (ii) Maximising the use of secondary and recycled aggregates, and
- (iii) Incentivising innovation and development of alternative materials.

The Bill will set out the key arrangements for a devolved tax on the commercial exploitation of aggregates in Scotland, including to provide for its administration by Revenue Scotland. The Bill will set out:

Key concepts - including what aggregate is taxable, what aggregates and processes are exempt from the tax, what commercial exploitation is and who is liable to pay the tax.

Tax Administration –including rules regarding payment and administration of the tax and integration with the existing Scottish tax administration framework.

Enforcement – including rules regarding enforcement of the tax, penalties and integration with the existing Scottish Tax administration framework.

Devolved tax measures – amendments to existing Scottish tax administration framework which relate to Scottish Landfill Tax and Land and Buildings Transaction Tax, intended to support efficient and effective collection of tax.

The Bill will not set out the specific rate of tax to be charged – this and relevant issues, notably about specifics of tax administration, will be set out in secondary legislation.

Step two – Gather your data and identify your stakeholders

- What data is available about the current situation in the islands?
- Who are your key Stakeholders?
- How does any existing data differ between islands?
- Are there any existing design features or mitigations in place?

Aggregates are used for a variety of important uses, providing materials for housing, construction, road-building and other uses, and supporting employment, including in rural areas of the country. Aggregates are also required as construction materials to support the ambitions for the environment, including for diversification of Scotland’s energy mix. They are used both in and of themselves and mixed with other materials to produce new products used in construction such as mortar, asphalt and concrete.

The UKAL register maintained by HMRC shows that there are approximately 28 island-based taxpayers with a combined 40 registered quarry sites. Approximately seven of these sites are operated by Local Authorities.

The Scottish Government commissioned the British Geological Survey to carry out a survey of Aggregates production in Scotland, aiming to provide an in-depth and up-to-date understanding of national and regional sales, inter-regional flows, transportation, consumption and permitted reserves of primary aggregates.

To ensure confidentiality, data from this survey was aggregated to Local Authority level; some Local Authorities had to be grouped together; and the Scottish Government did not have access to any site level information.

Table: Comparison of sales and consumption of primary aggregates in 2019¹

Region	Sales	Consumption
	Total primary aggregates (Thousand tonnes)	Total primary aggregates (Thousand tonnes)
Argyll & Bute	c	254
Ayrshire Authorities	2 443	998
Comhairle nan Eilean Siar	231	231

¹ 2019 Aggregate Minerals Survey for Scotland - gov.scot (www.gov.scot)

Dumfries & Galloway	572	269
East Central Scotland	2 880	2 585
Forth Valley	c	467
Highland	7 505	1 456
North East Scotland	1 606	1 488
Orkney & Shetland Islands	132	132
Tay Area	875	696
West Central Scotland	4 536	5 090
Total	20 780	13 666

Ayrshire Authorities also includes Argyll & Bute. Tay Area also includes Forth Valley sand and gravel.

Step Three - Consultation

- Is there are information already gathered through previous engagements?
- How will you carry out your consultation and in what timescales? Public meetings/Local Authorities/key Stakeholders
- What questions will you ask when considering how to address island realities?
- Separate consultation events for Island communities/Local Authorities

In summer 2022, the Scottish Government published initial proposals for a devolved tax and invited feedback to help inform the development of the Bill. This open public consultation was accompanied by a programme of stakeholder engagement.

In spring 2023 the Scottish Government also convened an expert advisory group to discuss key issues requiring consideration, to explore and refine key policy issues and thus inform Bill provisions.

During the consultation and engagement process it was noted that island communities may have potential issues with regard to supply chains. SAT will aim to encourage the minimum necessary exploitation of primary aggregates, in order to maximise the use of secondary and recycled aggregates (which are exempt from the tax). Island communities may be disadvantaged due to their limited access to secondary and recycled aggregates, albeit the provisions in the Bill largely reflect the core elements of the existing UK tax.

This is consistent with a strong view, particularly from aggregates industry representatives, to maintain a close degree of alignment between SAT and UKAL, to minimise potential disruption to the aggregates industry and their customers.

Step Four - Assessment

- Does your assessment identify any unique impacts on island communities?
- Does your assessment identify any potential barriers or wider impacts?
- Are there mitigations already in place for these impacts raised?

A full Islands Communities Impact assessment is not required.

The UK Aggregates Levy has been in operation since 2002 and currently applies in Scotland. A decision to not introduce the SAT (i.e., to effectively abolish the tax in Scotland) would therefore represent the position of greatest change. That would not be compatible with Scottish Government objectives, nor would it be a business-as-usual option.

Taking account of stakeholder views, the Bill will replicate the core structure of the UKAL, while also providing opportunities for improved collection and administration of the tax. It is therefore not considered that the replacement tax will impose any new or additional burdens on island Communities.

It is assessed that the application of the tax will not result in any additional impacts on those that commercially exploit primary aggregates on Scottish Islands, when compared to those elsewhere in Scotland, nor any differential impact between producers on different islands.

Is a full Island Communities Impact Assessment required?

- Are there mitigations in place for the impacts identified and noted above from stakeholders and community consultations?
- Does the evidence show different circumstances or different expectations or needs, or different experiences or outcomes (such as levels of satisfaction, or different rates of participation)?
- Are these different effects likely?
- Are these effects significantly different?
- Could the effect amount to a disadvantage for an island community compared to the mainland or between island groups?

For the reasons set out above, it is not considered that a full Islands Communities Impact Assessment is required.

There will further public consultation regarding secondary legislation necessary for the implementation of SAT and, once operational, the Scottish Government and Revenue Scotland will keep the impact of the tax under review.

I confirm that the decision to not carry out a full Island Community Impact assessment has been authorised by:

Alex Doig: Deputy Director, Land and Environmental Tax

7 November 2023



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